

Nation's Business

A USEFUL LOOK AHEAD

JANUARY 1957



**CONSUMER
SPENDING:**

NEW HIGH AHEAD

Kremlin economists disclose Red plans PAGE 25

Here's program for sound agriculture PAGE 30

Planned creativity pays off PAGE 34

Managers need three smart teachers PAGE 78



Profit tools!



Southern Construction Corp.

COMMERCIAL, RESIDENTIAL AND INDUSTRIAL BUILDERS

P. O. BOX 1011

LAKE CHARLES, LOUISIANA

June 6, 1956

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American Telephone and Telegraph Company



"The telephone business is built on the idea of Service.... And the principles that guide our work affect the lives of many people. We are printing them here because they seem important to everyone who uses the telephone, everyone who works for the business, and everyone who has invested in it."

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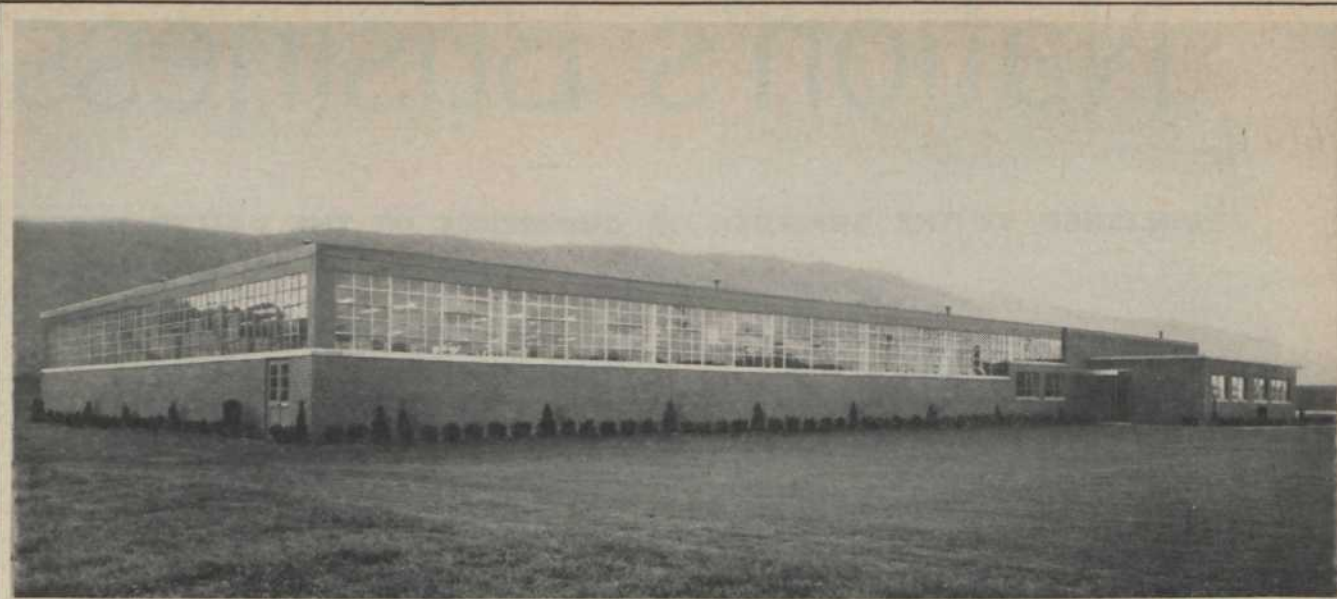
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"We have had the good fortune to locate where our new employees, and the entire community, displayed a spirit of helpfulness that made our transition as simple as possible"... the experience of Steelex Corporation at their new Williamsport, Pennsylvania plant.

THERE MUST BE A REASON...

*Steelex Corporation
Planted its Entire Facilities*

IN PENNSYLVANIA



Birger Engzell, President of Steelex Corporation, tells why his company moved its entire office and factory, for the manufacture of quality stainless steel products, from Brooklyn, New York, to Williamsport, Pennsylvania. Here, in Mr. Engzell's own words, are the principal reasons:

1. "An 'Industrial Park' location which provides all utilities, off-street employee parking, and room for expansion.
2. "A new 21,000 square foot, one-story plant constructed to our own specifications by the Williamsport Community organization at a cost of only \$6.25 per square foot—available to us on a long-term lease.
3. "A shorter supply route for our raw material, stainless steel.
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Financing—Community-state industrial building program, lease-purchase, commercial credit.

Materials—Metals, industrial chemicals, wood, textiles, farm products.

Minerals—Location, reserves, potentials, analyses.

Water—Quantitative, qualitative analyses.

Power—Capacity, network, industrial services, costs.

Fuel—Coal, oil, natural gas service, costs.

Engineering—Schools, enrollment, specialization, research laboratories, services.

Taxes—Inter-state and community comparisons, assessment ratios, millages, corporate.

Communities—Characteristics, size, regions, housing, schools, culture, recreation.

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ALLEN TOWN, Pennsylvania Bureau of Water	*KNOXVILLE, Tennessee Knoxville Utilities Board (Gas)	PROVIDENCE, Rhode Island Providence Gas Company
*ATLANTA, Georgia Atlanta Gas Light Company	LANCASTER, Pennsylvania Bureau of Water	QUEBEC, Canada Quebec Power Co., Gas Division
BALTIMORE, Maryland Bureau of Water, Dept. of Public Works	LOUISVILLE, Kentucky Louisville Gas & Electric Co.	READING, Pennsylvania Bureau of Water
BALTIMORE, Maryland Consolidated Gas Electric Light & Power Co.	LYNCHBURG, Virginia City of Lynchburg Water Dept.	RICHMOND, Virginia Department of Public Utilities (Gas)
BOSTON, Massachusetts Public Works Dept., Water Division	MADISON, Indiana Natural Gas Service, Inc.	RICHMOND, Virginia Dept. of Public Utilities (Water)
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CHARLESTON, South Carolina South Carolina Electric & Gas Co.	MONTREAL, Quebec Quebec Hydro-Electric Commission	SALEM, Massachusetts North Shore Gas Company
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FREDERICK, Maryland Frederick Gas Company, Inc.	PEORIA, Illinois Central Illinois Light Company	WINSTON-SALEM, North Carolina Water Department
CITY OF FREDERICKSBURG, Virginia Gas Department	PHILADELPHIA, Pennsylvania Dept. of Public Works, Bureau of Water	YORK, Pennsylvania York Water Company
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HARTFORD, Connecticut The Hartford Gas Company		

*New Members in 1956

CAST IRON PIPE



RESEARCH ASSOCIATION 122 SOUTH MICHIGAN AVENUE, CHICAGO 3, ILLINOIS

management's WASHINGTON LETTER

►CONTINUED ECONOMIC GROWTH will characterize new year.

Here's outlook for 1957 by specific industries:

Steel--Production's not expected to be interrupted by labor problems, will probably top 115 million tons.

That's about equal to 1956 output, may be second-best year.

Best was 1955 with 117 million tons.

Electronics--Industry expects another 10 per cent growth, bringing sales at factory level to about \$6.5 billion.

Great strides will be made in industrial electronics field.

Farm equipment--Sales will rise 15 per cent, say manufacturers and dealers. Estimate's based on brighter farm income outlook.

Retailing--Operators of department, specialty and chain stores are bullish.

They see prospects for their sales in first half to top last year's record first half by 5 per cent.

Dairy industry--Milk production will reach almost 130 billion pounds, up 2 billion from record-setting 1956.

That means Americans will spend more than \$10 billion for dairy foods in new year.

New construction--Total will rise about 5 per cent to new high of \$46.5 billion.

Substantial increases are planned for:

Office buildings, warehouses, religious buildings, telephone, telegraph, other public utilities.

Educational buildings, hospitals, highways, sewer and water facilities.

►THERE'S A CLOUD developing on economic horizon.

Government, private studies indicate we may be entering period of limited profit prosperity--more volume but less left after paying for it.

Could cause expansion plans cutback.

►TO HELP YOU ASSESS year ahead watch for President's messages to Congress this month.

They're:

State of the Union--It'll keynote congressional debate for months.

Budget--Here's best look at what to expect on taxes, rising cost of federal government.

Economic report--This will detail long-range economic prospects.

In addition: Watch for special messages on specific issues.

For preview of hottest issues in which you have a stake see page 44.

►WATCH FOR TAX CHANGES to take shape in 2 or 3 months.

Corporate rate extension will depend on strength behind Cabinet Committee on Small Business recommendation for 20 per cent normal rate.

Most reverting excise levies will be extended at present rates.

Action will come before April 1 expiration date.

Changes in individual tax rate, personal exemptions aren't likely.

Higher federal spending is the cause.

But some technical changes in tax law are being planned.

You'll hear more about these in weeks ahead.

Note: Watch for changes in depreciation allowances for small business.

►KEEP YOUR EYE on state legislatures--45 of them will meet this year.

They'll debate, act on many legislative issues vital to business.

For example:

Taxes--U.S. Chamber poll indicates at least 20 states expect to use new taxes to meet substantial increases in their budgets.

Some states which look for their budgets to go up say they'll get revenue increase from existing taxes.

Education--More than 20 states expect to step up state aid to education.

►BUYING SPLURGE ON THE WAY...

While it's still early to tell for sure, that's how National Automobile Dealers Association views 1957.

Key factor in healthy outlook is this:

Potential new car buyers are getting out from under installment obligations.

About 10 million persons made final payments on auto loans in 1955.

Figure in 1956 was 9.3 million.

During year ahead another 10.3 million will pay off.

Note: Dealers say hard money policy of Federal Reserve hasn't hurt auto sales.

Dealers look for about 6.1 million

sales, up from 5.8 million 1956 models.
Range is up to 6.8 million sales.

► **TRADING UP** is key to retailers' optimism about 1957.

That's term which means consumers aren't making price an object, are shopping instead for quality and style.

Result: Upgrading of market, more volume for medium and top-priced merchandise.

Retailers say this is symptom of a well-heeled age. They say consumers have jobs, money, are willing to spend.

Retailers call U.S. economy strong, vigorous, wholesome.

► **NEW SUPERMARKETS WILL ADD** materially to nation's economic health in the coming year.

Survey by National Association of Food Chains shows:

Members expect more than 2,000 new store openings in 1957.

That'll create 78,000 new jobs, add 12 per cent more workers to payrolls.

Food sales--according to industry's predictions--will rise almost 7 per cent.

Skyrocketing growth of frozen food sales--already 4½ times 1946 volume--will continue.

They'll reach about 10 per cent of total food store volume by 1960.

Note: Radiation sterilization of foods for preservation is still some years in the future.

► **EMPLOYMENT WILL NUDGE** 70 million in year ahead.

That's informed guess by specialists at U.S. Bureau of Employment Security.

They look for peak in August.

Previous peak--last August--was 66.7 million employed.

Figure now's about 65 million.

Important factor in employment outlook is this:

Highway construction boom will add strength to employment in coming 12 months.

► **LONG PERIOD OF BUSINESS** stability is forecast for highway construction.

Road building boom will reach \$5.6 billion in 1957, then go on up to about \$6.5 billion by 1958 or 1959.

Figure for 1956 is about \$5.1 billion.

It'll rise gradually to about \$8 billion a year by 1970.

That's how American Road Builders' Association sees future.

Thus outlook is bright for equipment sales.

In coming year industry expects to buy: 94,000 road building units worth \$900 million.

50,000 road maintenance units worth \$245 million.

► **CONSUMERS ARE GETTING MORE** for time worked.

Trend shows rising living standard.

Example:

Dozen eggs cost 30 work minutes in 1951, now cost 19 minutes.

That's 36 per cent drop in work time required for purchase.

Percentage drop ranges from 4 per cent for movie admission to 42 per cent for nylon stockings.

Story's told in study by National Industrial Conference Board.

Other items:

Pound of bacon cost 26 minutes' work 5 years ago, now costs 19 minutes.

Pound of coffee's down from 33 minutes to 31 minutes.

Man's suit did cost 33 hours, 44 minutes, now costs 24 hours, 38 minutes.

Refrigerator did cost 149 hours, 53 minutes, now costs 117 hours, 31 minutes.

Of 16 consumer items charted 2 cost the same as 5 years ago (bread, 6 minutes; gallon of gasoline, 9 minutes).

Only 2 cost more.

They're potatoes, up from 19 minutes' work to 26 minutes for 10 lbs., and haircuts, up from 40 to 53 minutes.

Study is based on spending by production worker in manufacturing.

Note: You'll find consumer expectations for 1957 on page 28.

► **KEEP WORLD TURMOIL** in focus.

While nations are preoccupied with developments in Europe, Middle East, significant things are happening in Asia.

Red China is key to picture.

Her trade with outside is rising fast.

Mao's men are wooing Asian countries with trade offers, exhibits of industrial production under Far East communism.

Red China's 1955 exports totaled \$490

management's WASHINGTON LETTER

million. Experts in Washington say final 1956 figure will come to about \$600 million.

Important to note is fact Red China is selling more goods to uncommitted Asian nations.

Example:

In 1955 China sold India \$7.2 million worth of goods.

Figure in 1956 exceeds \$8 million.

Trade with Indonesia, Burma?

Also up--strikingly.

Burma bought \$2.3 million in goods from Red China in 1955.

Figure zoomed to \$14 million in '56 with complete data not yet in.

Indonesia bought \$10 million in goods from China in 1955.

Figure in 1956 soared above \$17 million --with on-up trend indicated for 1957.

►WHAT WORRIES CHINESE communist leaders about the future?

Answer: Babies.

Problem is China mainland's population is growing by 12 million persons a year.

Trend is noted by Population Reference Bureau in Washington.

Year ago Chinese Marxists were elated by new population count--which found 583 million persons, about 100 million more than experts had guessed.

But now, after sober second thought, Red leaders are scared.

Cause for about-face:

Too many children to feed, educate.

Severe food shortage adds to China's worries on overpopulation. They have just started rice rationing.

Observers look for famine to strike by spring.

►YOU CAN EXPECT CREATION of about 1.5 million new businesses by 1976.

What's ahead for business is indicated by Du Pont projection for coming 20 years.

Growth, progress will be shared by all members of business community.

Significant findings:

Number small firms will jump from 4.2 million today to 5.7 million.

Number big firms will rise from 3,500 now to 7,000 by 1976.

Big expansion will be necessitated by population rise, demand for higher living standards.

►WILL CAPITALISM DESTROY itself?

Communists since Marx have thought so. Now there's a new straw in the wind.

It's revealed by Dr. Grover Ensley, Executive Director of Congress' Joint Economic Committee, who went to Moscow, talked with 7 top Soviet economists.

What he found sheds new light on communist views of U.S. economy.

Example:

Some leading red economists now admit capitalism's strength, say we'll not have 1929-type crash again.

In addition Dr. Ensley observes:

U.S. need not fear that communist production will outclass capitalism.

Full report--exclusive in Nation's Business--on page 25.

►AIRLIFT OF 3-CENT LETTERS will continue in 1957.

One out of every 17 out-of-town 3-cent letters now goes by air on space available arrangement.

Mail is flown between New York, Washington, Chicago, and north-south on east, west coasts.

Reason: Post Office says service is faster, costs no more.

Test started 3 years ago.

Congressional note: Post Office will press again this year for rate hike to wipe out deficit.

Department probably will ask for \$400 to \$500 billion boost.

►LOOK FOR: Growing interest in local right-to-work laws.

Palm Springs, Calif., recently became first city to adopt such a law.

Unions plan court challenge....

Federal Reserve study of consumer credit to be published about March.

It's shaping up as 6 volumes, could lead to recommendations for stand-by consumer credit controls....

Freight car loadings this year to surpass 1956 loadings, according to Association of American Railroads.

This indicates economic expansion expected for 1957....

More talk in coming months about atom-powered freighter planned for 1958 launching.

A 12,000-ton ship, it'll be capable of 21 knots, will carry both cargo and passengers.

Phoenix INSURANCE TIPS



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Letters from businessmen

Civilian instructor

Upon reading "Navy Rejects \$7 Million Saving" (December issue) I could hardly wait to finish before writing my viewpoint.

I am a commercial pilot with close to 10,000 hours of flying time. I have some knowledge of what your article was saying about civilian flight instructors as I was one of the civilians who taught flying for the Army Air Corps during World War II.

As for military personnel doing the actual flight instruction, I found that most of them did not have their hearts in it. They would wash a student out for hardly any reason at all. Usually it was due to lack of instruction.

The primary period of instruction is the hardest to teach and the most important phase in the training. As for costs, it was proven in World War II that contract civilian schools could do the job with a saving to the taxpayer.

ARTHUR W. SOARE,
*Glendive Flying Service
Glendive, Mont.*

Navy vet

Your article on pilot training is highly critical of the U. S. Navy. I protest your hasty inferences and conclusions. May I refer you to the history of U. S. Navy aviation?

Your caption, "Navy Rejects \$7 Million Saving," is conclusive but not factual. I trust that future articles will be designed to capture reader attention without resorting to conclusions so misleading to the average citizen.

Yes, for four years I was a member of the U. S. Navy aviation team during World War II.

EARL E. SUITER,
Westfield, N.J.

Easily digested

May we again request your permission to digest an article from NATION'S BUSINESS for use in *Supervisory Management*? We feel our readers would be most interested in "Why Workers Walk Out," which appears in your October issue.

VIVIENNE MARQUIS,
*American Management Association,
New York, N.Y.*

Unwise laws

Though it has been half a year since your issue dealing with un-

wise traffic laws and faulty traffic conditions, the article ("Slow Traffic Laws Waste Fast Roads") is still timely and will remain so until corrective measures have been taken.

GROVER WHITE,
*G. C. White & Son,
Nashville, Tenn.*

Six on six steps

You are always hitting the nail on the head. Will you send me 100 reprints of "Six Steps to Executive Success"? (November issue).

CHARLES J. PRANGE,
*Railway Express Agency
New York, N.Y.*

May we reprint brief excerpts from "Six Steps to Executive Success" in a monthly memo which is sent to participants in our Executive Development Program?

J. H. PAYNE,
*Conair,
Fort Worth, Tex.*

We wish to make available a personal copy of this article to a number of members of our management group, over and above having the opportunity to read it in the several copies of NATION'S BUSINESS normally circulated in our organization.

W. B. WILLIAMS,
*The Kaydon Engineering Corp.,
Muskegon, Mich.*

The article, . . . certainly makes one take stock of himself.

J. C. BARRY,
*Division Manager
Standard Oil Company,
Birmingham, Ala.*

The article was a very compelling one.

R. J. DEBURGH,
*President,
DeBurgh Conveyors,
Evansville, Ind.*

We would appreciate 100 reprints of this article.

C. H. WELLS,
*Vice President, Operations,
McLean Trucking Company
Winston-Salem, N.C.*

▶and 943 other requests for
a total of 31,526 reprints.

Coal's future

I was especially interested in the article "Coal's Big Future Touches You" (December issue). I think your writer has done an outstanding job in interpreting the coal industry's position. The recognition of the relationship of coal to other indus-



Frank P. Downey, Vice-President, American Machine & Foundry Co., says:

"He sets up 6,324,500 games a week!"

"The pin boy has been replaced in over 20,000 bowling alleys by our 'Mr. Pinspotter.'"

"He's the symbol for AMF's completely automatic unit that sets the pins up and returns the ball in a matter of seconds!"

"In many places 'Mr. Pinspotter' works 24 hours a day!"

"He's *always* on the job for one good reason—Air Express!"

"When an AMF automatic pinspotter needs spare or re-

placement parts, they leave our Shelby, Ohio, factory for every state in the country—even Hawaii and Alaska—by Air Express. Radio-controlled trucks cut pick-up time, often in half. Air Express private teletype 'keeps an eye' on the shipment.

"Yet, with all this speed and service, AMF actually saves money with Air Express. A typical 15-pound shipment goes from Shelby, Ohio, to Philadelphia for \$3.71. That's \$3.94 less than any other complete air service!"



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employees the hospital
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and Retired Chairman, Hercules Powder Company;
President of the Board, Wilmington General Hospital.



"Twenty-two years ago Blue Cross was made available to the first group of Hercules Powder Company employees. Today, more than 17,000 Hercules men and women and their dependents, along with thousands of others in the U.S. chemical industry, of which we are a part, are better and more satisfied employees because of Blue Cross."

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vide hospital care. Last year, Plans paid \$890,000,000 in benefits.

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the American Hospital Association.

tries and the nation's dependence on coal as a basic energy source is well documented. The concern about world energy supplies points up the timeliness of your article.

JAMES H. CUNNINGHAM,
National Coal Association,
Washington, D.C.

One not enough

You put out too good a magazine. We just can't get along on one copy, so enclosed is our check for \$18 for an additional three-year subscription. Keep up the good work. Your articles are extremely helpful. I am amazed that you can consistently contain so much information in such terse, well illustrated articles.

V. H. POMPER,
Ass't. General Manager,
Scott, Inc.,
Cambridge, Mass.

Development material

We have selected two more articles from your magazine which we would like to use in our Management Development Conference Program. Please send 1,500 of each of "6 Steps to Executive Success," November 1956, and "Make the Time You Need," October, 1956.

R. M. NORMAN,
General Mills, Inc.,
Minneapolis, Minn.

Let's make it better

Would you send me 100 reprints of "The State of the Nation," October? ["Two Words That Russia Hates."] If you cannot furnish these, may I duplicate this article for distribution among employees and friends in our endeavors under an educational program? I would like to quote, if I may, on occasion to substantiate or round out some of my own thinking in economic matters as they relate to incentive plans, opportunities and responsibilities of all members of a production team. We think we have something good, and want to keep it so, if not make it better.

JOHN H. POHLMAN,
Pohlman Foundry Company,
Buffalo, N.Y.

What we really need

Recently read your excellent article, "America Needs a Million Salesmen," which appeared in your August, 1955, issue.

I have had six years of engineering experience, and if the caliber of salesmen that I occasionally see can be taken as representative (and I'm afraid that it can), then their employers are being taken for a ride. Most of them cannot answer relatively simple questions about what their product can do or save for you. Indeed, your article should have been titled, "America Needs a Million Good Salesmen."

J. J. DECOULOS,
Peabody, Mass.



ANSON B. NIXON, of the Hercules Powder Company, also says—

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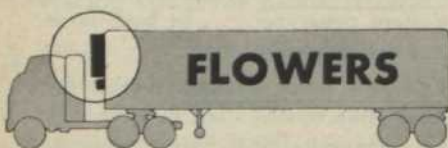
what's a **Truck**
got to do with
a rose?



You'd hardly expect a big powerful truck to have anything to do with a beautiful and delicate flower, but it does.

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THE AMERICAN TRUCKING INDUSTRY, WASHINGTON, D. C.

PROGRESS:

Industry finds new uses for human engineering

MANAGEMENT is finding a highly useful industrial tool in human engineering psychology.

Essentially the tool is a trouble-shooting function which helps tailor the business to the employee, the machine to the man, the product to the consumer. But, specifically, the work has one of two main objectives—or a combination of them:

- ▶ Boosting the efficiency of some product used by people.
- ▶ Improving the production process itself.

In the first category, research is directed toward designing the product so that it may be used more efficiently, economically and safely. The product may be a truck, cash register, radio transmitter, lawnmower, a kitchen stove, or even a traffic control system. If it is something people use in their work, it can be subjected to study by trained psychologists.

An example of psychological engineering directed toward a product is the auto manufacturers' continuing research in power-steering. This device could be dangerous if engineered to the point where drivers lose the feel of the road. Psychologists are employed to locate the danger point. Result: an efficient and safe system of steering.

The second category involves a much newer field, but it is becoming even more important to industry. Here is where the psychologist, through man-machine research into production methods in use, can save management a lot of money while making the employee happier.

Concrete illustrations of improving the production process via the psychological route are plentiful, but one will do.

A manufacturer of precision-built ballbearings recently experienced an unaccountable slowdown in production. Engineering psychologists were hired to find out why. These men turned up a clue which led to the answer: The bearing inspectors

seemed susceptible to mild dizziness and headaches. It developed that production timing had adjusted itself to the slower inspection rate the headaches caused.

Eventually the headaches were traced to worn and brightened parts of machinery delivering the bearings to inspectors. This made the bearings hard to see.

Automation is increasing the importance of the human engineer.

At the Third International Automation Exposition in New York last November, eight panel discussions were devoted exclusively to the need for more and better human engineering.

This same interest is being repeated at convention after convention, conference after conference.

Jack W. Dunlap, head of a human engineering consulting firm at Stamford, Conn., describes it this way: "As the mechanization of industry reaches new high levels, the task imposed on the man is increasing; and the cost of errors, delays and breakages is going up. So industry's need for human engineering is developing fast, as is interest in the field."

Business is borrowing psychological techniques from the armed services, which for years have employed psychologists to help simplify the complicated machines of war.

According to a recent survey by the National Science Foundation, Uncle Sam still spends upwards of \$10 million a year just for research in the field.

What industry is spending is anybody's guess, but experts think it already exceeds this figure.

Emphasis on engineering psychology is running strong in electric and electronic production, mechanical equipment, communications, automotive production, chemicals and chemical products, and mining.

One of the best indicators of industry's freshening interest in the psychologist can be found in the employment situation. The place-

ment bureau for the American Psychological Association reports that there are four jobs waiting for every engineering psychologist looking for one.

Not only are government and industry grabbing them up; so is small business through the mushrooming number of consulting firms engaged in providing industrial psychological research services.

Last fall General Electric's Advanced Electronics Center, located at Ithaca, N. Y., announced that it was reorganizing its Human Factors Division to include about a dozen professionally trained psychologists. Lockheed, Standard Oil and International Business Machines are creating management staff posts for the design and human engineer. Other companies showing similar interest include:

Chrysler Corporation, Bell Telephone, AVCO-Crosley, General Dynamics, Stromberg-Carlson, Minneapolis-Honeywell, Westinghouse, Sperry, Goodyear, R.C.A., Bostrom Manufacturing, General Motors, plus such aircraft builders as Martin, Boeing, Douglas, Hughes, Convair, Ryan, American Power-Jet, Chance-Vought, and North American.

The psychologist has no pat answers for any given industrial problem. He works through painstaking studies and experiments, using mountains of data, computers and human guinea pigs. It is characteristic of the profession that when he comes up with an answer, he is frequently as surprised as his client.

Here are samples of the type of industrial riddles they are asked to solve:

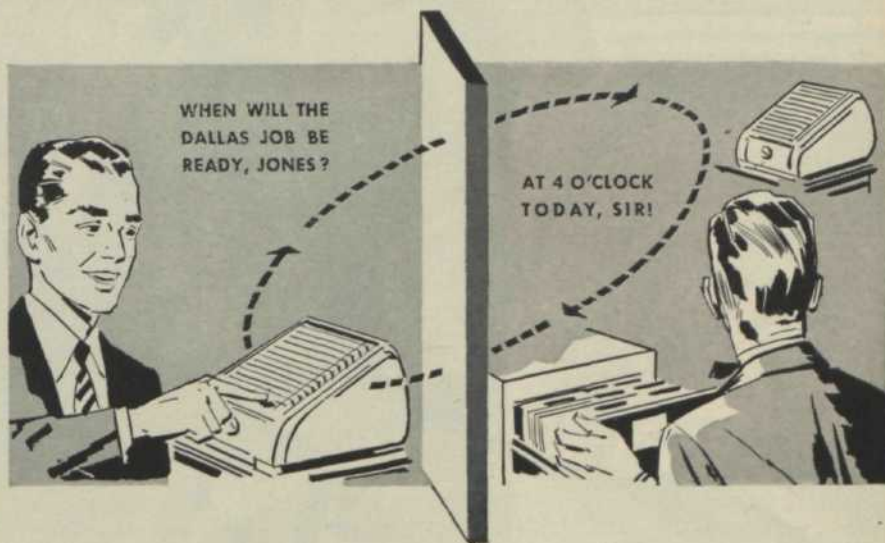
► How can telephone design be improved to provide fewer wrong numbers, easier handling and better voice transmission? To find out, Bell Telephone's psychologists study (among other things) finger-aiming points, dial visibility, ear-to-mouth contours, optimum weight levels, etc.

► What floor and wall patterns are least nerve-jangling to confined office workers? The answer may depend on finding some meaningful way to measure the output of experimental office teams against controlled environmental factors such as varying colors and designs, carpeting thickness and area, light levels, window effect and so on.

► Why are drill-pressmen in a farm equipment factory consistently lagging behind other members of their production team? Studies may disclose that the press crew is incompatible due to personality factors.

(Continued on page 91)

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Trends

of Nation's Business



THE STATE OF THE NATION BY FELIX MORLEY

Federal money can't meet school's greatest need

DURING the year just ended, the number of children born in the United States was almost twice the number born in 1936. From this fact it is argued, by the President's Committee on Education Beyond the High School, that in another 20 years our universities and colleges must absorb at least twice their present enrollment of something more than 3 million students. Since they are already bursting at the seams, with an attendance that sets new records every year, the prospect has education administrators disturbed.

The first interim report of this committee, sent to the White House a month ago, actually anticipates that by 1970 the college population may be nearer 9 than 6 million. There are various reasons for expecting this threefold augmentation. Automation and atomic development will demand many more engineers and highly trained technicians. Higher living standards will step up the numbers needed in all the professions. The growing complexities of commerce and finance will increasingly emphasize the business importance of college training. Last, but not least, the general social climate will make college the normal, rather than the exceptional, expectation of young America.

The issue of federal aid to education, on the school level, is already keen. Frustrated in the last

Congress, it will certainly be high on the agenda of the one now assembling. Since education is traditionally a state and local responsibility, federal intervention arouses constitutional controversy, heated by the still unsolved problem of racial integration in the South. Now the report of the committee on higher education, which counts 10 university and college presidents on its distinguished roster, advances a further complication.



This difficulty is summarized, but not solved, in the statement that "the quality of education beyond the high school is evidently dependent upon the quality of the foundations laid in the elementary and secondary schools." The vice chairman of the committee that underwrites this truism is president of the University of Illinois. And it was at his institution that incoming freshmen were recently assigned the theme: "Are Too Many People Going To College?" Here is the essay of one Chicago high school graduate:

It is my opinion that every man should continual his education. If it is anyway possible. It would increase his ability, more than likely increase his salary on which to surport a family. You will no douth have many expericences.

This illustration of defective training, cited by Rosalie Gordon in her current study of "What's Happened to Our Schools," is tragically commonplace. It could be paralleled by numerous em-

State of the nation

ployers who are struggling with the virtual illiteracy of many public school trainees. Their "experiences" are making "the quality of the foundations" laid for higher education increasingly suspect. And a large part of the strong case against federal aid for the public schools is the reasonable fear that a lessening of local control would stereotype bad teaching methods.

Not only at the University of Illinois, but increasingly throughout the country, college faculties are in revolt against the necessity of teaching freshmen spelling and other rudimentary skills they should have acquired at school. As the numbers pressing for admission to college increases, a strong tendency to stiffen the entrance requirements is developing. This is particularly pronounced in those private institutions which are in a position to be selective in their enrollment.

One college with which I am familiar will next year admit no science student who has not passed both a year of algebra and a year of plane geometry in high school. Another, which used to give "remedial reading" to freshmen, is now making admission conditional on proof that this make-up teaching will not be necessary. A third institution is restoring the old, rigorous college board examinations for all its applicants. These procedures are in each case designed to close the doors to ill-trained candidates. Paradoxically, it is the mounting demand for college education which permits those who determine the admissions policy to be increasingly selective.

The big state universities, supported by public funds, are less free to demand superior quality. But if they have to admit certified high school graduates, they nevertheless can, and do, drop all who demonstrate incompetence. So it is not merely in the Ivy League that academic standards are rising with the pressure for admission.

There are other reasons for doubting that college enrollment will actually rise in proportion to increasing population. The plant and equipment for such expansion is very costly, and increased local taxation for this purpose is already meeting stubborn resistance in many localities. There is an acute shortage of qualified teachers, likely to continue until professorial compensation compares more favorably with that of skilled mechanics. But this will in turn require more funds, difficult to obtain from either private or public purses. So while it is predictable that the demand for a college education will in a few years double or triple, it does not follow that the numbers obtaining college degrees will rise in anything like that proportion.

Mass production methods, moreover, simply

cannot be applied to education, if it is to be worthy of that name. The techniques of the assembly line are not applicable. In the educational process great buildings are far less important than great teachers, and these are never produced by factory methods. After a certain point, size alone brings the law of diminishing returns into effect for education. It is now generally recognized that the small college, with some 500 students, is likely to turn out a better product than the sprawling university city with many thousands of herded undergraduates.

Fortunately, this is recognized by the President's Committee on Education Beyond the High School. Its current report says that "we must find ways of meeting the pressure of numbers without jeopardizing the quality of present educational opportunities." And the conclusion is that development should be in the direction of numerous community and two-year junior colleges, which will combine technical training with at least the basis of a cultural education. The "inflexibility" of the prevailing pattern of higher education is sharply criticized, with comment on its lack of adjustment to military service, youthful marriages and early retirement as a consequence of social security and generalized pension plans.

This brief but important report emphasizes that it contains only "preliminary conclusions." But on one point it is refreshingly explicit. "In recent years the federal government has spent more than \$1 billion annually in educational activities beyond the high school, and yet no over-all policy exists."

A clarification of the role of the Washington bureaucracy in the field of education is certainly necessary, not only in relation to the colleges but at all levels. These levels run together like water in a flowing stream and are the less separable if, as the report asserts: "This country will never tolerate the nurturing of an educational elite." It is emphasized that all educational development beyond the high school level is "evidently dependent" on what the schools teach, and how.

It is this basic training that is receiving increasing criticism for failure to teach Johnny to read—a skill which he will need in any sort of college.

During the first half of this year the President's committee is sponsoring a series of regional conferences designed to explore the composite educational picture thoroughly. These have the blessing of the newly appointed Federal Commissioner of Education, Dr. Lawrence G. Derthick. Until his appointment is confirmed, and until he has had time to map some sort of over-all policy, all piecemeal legislation on federal aid to education would seem premature. The primary need is not money, but a careful examination of the educational objectives of our public schools. This is obviously prerequisite to any centralized expansion of educational facilities beyond the high school.



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Trends

of Nation's Business



WASHINGTON MOOD

BY EDWARD T. FOLLIARD

Washington asks: Will Ike use whip or patience?

THE GRANDSTANDS are up on Pennsylvania avenue, and Washington awaits the impact of the crowds for President Eisenhower's second inauguration.

This time the parade along the historic mile between the Capitol and the White House will be only half as long as the one four years ago. The President himself asked that it be shortened. He didn't say why, but it probably was out of compassion for the marchers. He has never forgotten that day in 1913, when as a 23-year-old cadet he and the others in the West Point brigade had to endure the bitter cold of Woodrow Wilson's first inaugural.

But, even abbreviated, the 1957 inaugural parade will be a long and colorful one, lasting more than two hours. It will be topped off that night by four inaugural balls—in the National Guard Armory, the Statler, the Mayflower and the Sheraton-Park hotels. President Eisenhower and Mrs. Eisenhower will spend some time at all four of them.

This may seem an unreasonable demand on the energy of the President, considering that he is a cardiac. The fact is, however, that his heart attack and ileitis operation are hardly talked about any more in Washington. It is doubtful if General Eisenhower himself gives them much thought.

The Chief Executive, now 66, offers an interesting study in psychology as he moves into his second term. In the summer of 1955, before he had suffered his coronary thrombosis and when the "Ike-in-'56" boom was getting underway, he used to point out that no President of the United States had ever reached the age of 70 in the White House, which would be his age at the end of his second term. He doesn't say such things any more. Rather, he talks confidently about his plans for "these four years ahead."

It may seem paradoxical, but he appears to be even more buoyant in spirit now than before his heart attack.

His victory on Nov. 6, with its stupendous vote of confidence, certainly has something to do with this. Also, no doubt, he is happy in the thought that he has escaped retirement. He discovered something in his long convalescence in Gettysburg last winter. This was that he was not ready for retirement. He came to realize that for him a life of leisure would be a life of frustration, and therefore dangerous to his health.

• • •

It looked for a while as if we might have two celebrations here at inauguration time. Sen. Hubert Humphrey, that ebullient Democrat from Minnesota, suggested that the Democratic Party ought to put on some kind of a shindig to commemorate its victory in the recent election—that is, its capture of Congress. The idea didn't get far.

"We had a great victory, yes," said Col. Jake Arvey, Democratic national committeeman for Illinois, "but we also got hit by a truck."

That was that. If there is to be a Democratic get-together here, it probably won't come until April. Then the Democrats are expected to give one of their traditional \$100-a-plate dinners to help reduce the party's \$1 million deficit.

President Eisenhower, as he prepares himself for "these four years ahead," has the same chief goals as every occupant of the White House must have—peace and prosperity. Not surprisingly, the international picture is always uppermost in his mind. There is no repose in that field, nor is there likely to be for a long time.

In this connection, I have noticed two new de-

Washington mood

velopments in the Washington mood. Our national leaders appear to have had a twinge of conscience about Hungary, a feeling of futility and frustration. It was not easy for them to watch from afar as the heroic people of that country rose against tyranny, and then to see them crushed and slaughtered by the thousands in a new Russian blood bath.

There was grumbling, some of it within the President's own party, that the Administration seemed to have no plan or policy for dealing with the rebellion in Hungary or the trouble in Egypt. Sen. William E. Jenner, Indiana Republican, said he was "shocked" because the United States did not take stronger action against Russia's brutal intervention in Hungary.

Well, should the United States have used armed might to help the Hungarians? Nobody says it should have. However—and this is the second new development here—there has been a growing feeling that the United States may have carried its pacifism too far. In other words, there is a feeling that the Russians will always have an advantage over us as long as they seem less afraid of war than we are, and that therefore, we ought to let Moscow know that we are not forever, and in all circumstances, committed to a peace-at-any-price policy.

On one thing there is complete agreement among Republicans and Democrats in Congress, and that is on the importance of keeping America's armed forces at a high peak of strength. This means that the defense budget will be going up in the coming fiscal year. It may be bigger by several billion dollars.

Almost everything in the American arsenal has gone up in price—airplanes, tanks and guns, not to mention the pay and maintenance of fighting men. But there is a new item that has added greatly to the bill—the guided missile.

The newest missiles are, of course, in the super-secret category. It is no secret, however, that the Pentagon has farmed out the work of developing them, and that they ought to be ready for testing in a year or so.

The cost of national defense being what it is, there is no bright prospect of an across-the-board reduction in income taxes this year. Senator Humphrey and other Democratic liberals have called for such a cut, but the realists in Congress are telling their constituents not to count on one.

The Eisenhower Administration is having an experience that has come to every economy-minded administration. It is learning that you can only go so far. Thus, after cutting the number of

government workers by 150,000, it has had to reverse the trend. About 50,000 have since been added. The payroll for civilian government workers is now higher than in the Truman Administration, thanks to salary increases and other benefits.

About 2.4 million civilians are now working for the federal government, and the prospect is that the figure will go higher. The explanation is that the United States is always growing. Americans cry out for economy in government, but they also insist on government providing them with services.

The spectacular growth of our suburbs, for example, is making it necessary to provide more postal services for those areas. Our great network of air fields is being expanded and modernized in the interest of safety, and also with an eye to the coming jet age in commercial aviation. That explains why 2,000 extra workers are being put on by the Civil Aeronautics Administration. Then there is the new federal highway program; that also requires additional government workers.

The Eisenhower Administration is looking for another year of good business and peak employment, with consequent heavy revenue for the Treasury. It expects that the government will stay in the black even with heavier spending in the next fiscal year. But it will not be content to stay in the black; it intends to continue cutting down on the immense national debt.

The new Congress, like many of those which preceded it, will be dominated by a coalition of middle-of-the-road Democrats and Republicans.

There are, of course, divisions in both parties.

The schism in the Republican Party is familiar, although not so glaring as it used to be. President Eisenhower is bent on giving the GOP a modern outlook, being convinced that it can't hope to flourish without one. In talking about Republicans like Senator Jenner and Sen. Joseph R. McCarthy and others who disagree with him, he has said: "I can't look to them for help."

What is he going to do about such men? Some observers here are predicting that he is going to be a stronger leader in the years ahead, and will if necessary crack the whip. He may at that, but his whole record argues against it.

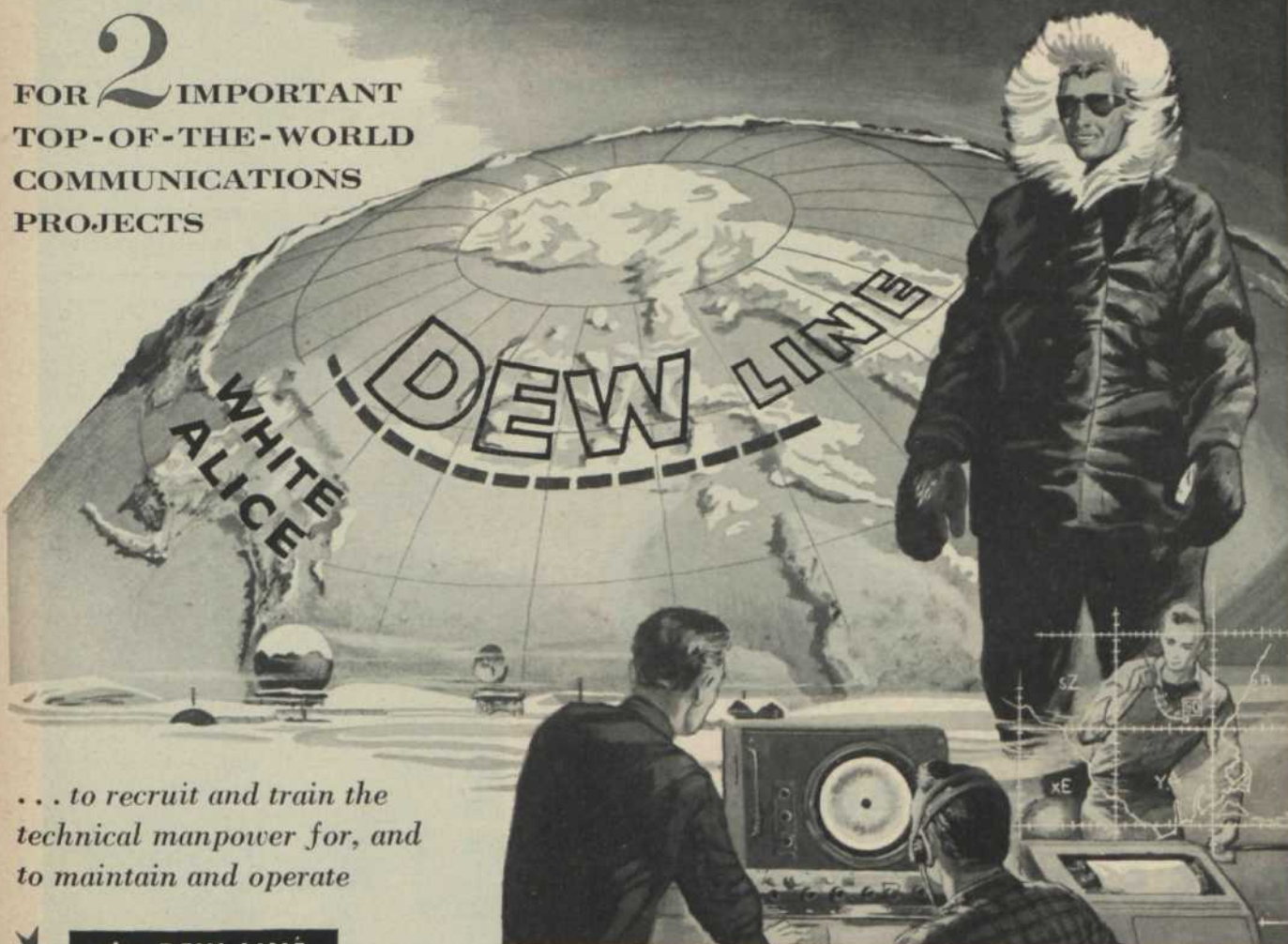
President Eisenhower's beau ideal among the Presidents of the United States is Abraham Lincoln. He has noted many times that Lincoln was a great leader, and he has pointed out that what made him great was his "extreme forbearance and patience."

He made it clear recently that he intends to follow Lincoln's example, saying that he would rather persuade a man to go along with him than scare him into going along. The man who is persuaded will stick; the other will stay only as long as he is scared, and then he will be gone.



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Kremlin economists disclose Red plans

In **first** interview with U.S. economist

Dr. Grover W. Ensley

*Executive Director of the Joint
Economic Committee of Congress*

A REVOLUTION now taking place in Soviet economic thought sheds new light on what to expect from the communists in the period ahead.

Among the significant changes are these:

- ▶ Leading Russian economists no longer expect western economic collapse, as Marx predicted. They recognize and fear the strength of capitalism.
- ▶ They look to the future as a long period of economic competitive struggle, although they expect eventually to win.
- ▶ Younger, more flexible, Soviet economists are gaining stature and power in economic circles, as against the older Lenin-following economists.

These younger economists know a great deal about business trends in the United States. Their familiarity with economic documents, studies and statistics produced here is noteworthy. They are eager to learn all they can about our business and industry and economic thinking.

The younger men understand that the American capitalist economy today is quite different from that of any period in the past, and that our economy never was like that of prerevolutionary Russia.

Russia's older economists, on the other hand, are unyielding in following the original concepts of communism. They continue to view capitalism through

the eyes of Marx, Lenin, and Stalin. They scoff at our estimates of future growth because we "depend entirely upon decisions of millions of consumers, as well as hundreds of thousands of independent businessmen." They say that when they project economic goals they "are the law" and hence "must be achieved!" They brand as "planned unemployment" the assumption in our Joint Economic Committee's "Potential Economic Growth of the United States During the Next Decade" that in 1965 there will be a labor force of about 80 million, with about 3 million temporarily unemployed. They strongly maintain there is no unemployment in the Soviet Union—nor can there ever be. They neglect to add that many workers are assigned tasks of very low productivity, to say nothing of their slave labor camps of the East.

The younger economists, however, seem more understanding of the meaning of temporary unemployment in the United States.

As the younger men gain prestige—which they are doing—and as their economic thought becomes better understood by Russia's political leaders, it seems inevitable that communist policies will undergo some significant changes.

I learned of these developments recently during an unprecedented meeting in Moscow with seven top Russian economists at the Soviet Academy of Sciences.

Changed estimates of capitalism hold threat and promise for United States



Dr. Ensley, shown with his Russian interpreter-guide, came away from his conversation with seven top advisers to the Russian government with some well-founded opinions as to how Soviet expectations for growth will work out

My basic conclusion from this discussion is that the communist economy even with significant changes can never outperform our own.

This doesn't mean that we need not fear communism. Quite the contrary. Economic competition will be fierce in the years ahead. But more important, Kremlin leaders are imperialistic by nature. Theirs is a ruthless dictatorship, and their philosophy is that the end justifies the means—whether in their own economic development or extending their authority abroad.

As these leaders—quarreling among themselves, watching upheaval in the satellite countries—come to understand this new concept that capitalism won't destroy itself, anything, in my judgment, can happen. Time, they have stated over and over again, is in their favor. Once they realize fully that time is not in their favor they may panic.

We can never for a moment lower our guard against that possibility.

This is a two-front struggle.

To meet the communist threat, we must maintain military might and we must maintain economic might. To fail on either front could lead to the victory the Soviet bosses expect to achieve.

Although we need not fear the communist economic struggle, we must meet it wisely because it is a well calculated attack.

In the underdeveloped countries they are selling Soviet economic growth. I am convinced this growth is exaggerated. Nevertheless, it is great enough to win the respect of the underdeveloped countries, particularly in Asia.

After talking with the Russians and seeing a small part of their country, I am convinced more than ever that their method of allocating resources through central planning can never be as efficient as our private enterprise system. What is essentially wrong with socialist planning is that it fails to meet the market test, and the incentive offered to the individual can never bring forth the efficient effort that our free system provides.

But the people of underdeveloped nations don't understand this. They see a Russia that is expanding with terrific speed.

The Russians admit that they have made errors of economic judgment in the past. But they claim to the outside world that they now have perfected economic and social planning.

They urge the underdeveloped countries to profit from Russia's past mistakes.

In Moscow I saw many representatives from these countries. They are in Russia to learn communist techniques.

Russian technicians likewise are numerous in the underdeveloped countries of Asia that I visited.

The communists are showing off Red China with pride. Industrial growth in China, they claim, has been accomplished in less than a decade, and underdeveloped countries can do as much if they follow the same techniques.

That Red China's growth is being achieved at great human cost escapes many of the leaders of the underdeveloped countries or, I fear, is considered by them to be a justifiable cost of revolution. This is particularly true among Asians where life is cheap and suffering is common. There, a philosophy that the end

justifies the means is easier to accept. On this battleground the communists expect to win their greatest victories in the years just ahead.

As for the future, it is clear that the communists will pursue world trade on the basis of what is politically expedient for them.

The Kremlin leaders understand—as do the Soviet economists with whom I talked—that, if they are to hold the communist countries together, they must be made economically, as well as politically, interdependent upon both Russia and one another.

To speed that goal, Russia is decentralizing production within the communist bloc and seeking the advantage of division of labor. Each country in future years will attempt to produce what she is thought to be best suited to produce. The plan, of course, is aimed at increasing dependence on Russia.

In the future each country is to have more voice in determining its production. You can expect the Kremlin to yield more and more to growing pressures that control be vested in local hands.

It's difficult to know how much real and immediate influence the Russian economists have on Soviet political leaders. Recent Kremlin decisions obviously have been inspired mainly by political reasons and purposes.

But I think it is significant that the younger economists who talked with me are fully aware of the economic importance of the new decentralization of planning and control, as well as of production.

I went to Russia on my way to Bangkok. The State Department had invited me to be the chief United States delegate to the working party on economic development of the United Nations Economic Commission for Asia and the Far East.

Through the State Department I requested interviews in Moscow with economists at the Soviet Academy of Sciences. The request was granted by the Soviet Ministry of Foreign Affairs.

John Armitage, head of the economic section of our Embassy in Moscow, and I were met at the Academy by the vice president, Academician K. V. Ostrovytyanov, and six of his colleagues. He apologized for the absence of Academicians E. S. Varga and S. Strumilin, who were indisposed that morning.

Besides Mr. Ostrovytyanov, there were Academician V. S. Nemchinov, Prof. A. A. Arzumanyan, Doctors Ya. A. Kronrod, and V. Ya. Aboltin, Mr. Perevertaylo, and Mr. Ostrovytyanov's assistant, V. A. Zaytsev. S. Shetinin, a young employe at the Academy, served as interpreter. Also present was Natasha Burlova, interpreter-guide, who was assigned to me during my stay in Russia.

We were seated around a large conference table, the Russians according to rank. Tea was served, with biscuits, candies and other delicacies.

Two of the seven have titles of "academicians," the highest intellectual rank in the Soviet system. They are very highly paid.

Mr. Ostrovytyanov, the senior man present, made it clear early in the interview that because he had lived under both capitalism and socialism—he was obviously a contemporary of Lenin—he understood the two systems and dismissed any possibility that I might tell him anything virtuous about capitalism.

Throughout the talks it was clear that the two elder men scorned capitalism, whereas the younger econ-

omists were clearly impressed by capitalistic achievements. At points the younger ones agreed with me that there have been significant changes in our economic system. They agreed that it is not inevitable that capitalism will go the way that Marx predicted and, in the same vein, that the United States will not necessarily have another 1929-type crash.

We know, of course, that Soviet Party Boss Khrushchev sharply criticized Russian economists last February, pointing out their repeated failures accurately to predict or forecast trends in the United States. This criticism apparently has had little effect on the older economists. But it surely has stimulated the younger men to study the economy of this country. They showed themselves to be familiar with recent professional economic publications, documents and research reports from the U. S.

My first questions concerned the methods Russia uses in allocating her resources. Under their system, the Academy economists claimed, central planning permits the best possible allocation of resources between consumption and investment. The Soviet economists are spending a lot of time trying to improve their methods of planning. They admitted that they had made errors in the past—misjudgments, they called them—but they insist they are about at the point of perfection today. I was struck, for example, by the cocksure attitude of the Soviet delegates to the Bangkok meeting with respect to the present status of their planning methods.

The Academy economists agreed to the accuracy of western estimates that Russia is devoting about 25 per cent of total production to investment (that compares with 18 or 19 per cent in the U. S., if we include government as well as private investment).

They admitted that devoting this large percentage to investment means that, in the short run, consumers will have less to eat and (Continued on page 60)

Russia will emphasize
program to make satellites
economically dependent on
one another and upon her.



CONSUMER SPENDING: new high ahead

Seven psychological factors will make 1957 a great year for your business. Here they are

THE AMERICAN consumer will probably spend \$14 to \$18 billion more this year than last.

This view is shared by business, labor and economic agencies of the government—Treasury, Federal Reserve Board, Commerce Department, Council of Economic Advisers and the Joint Committee on the Economic Report.

Supporting it are polls and interviews of representative consumers by economic psychologists. Economic psychology, a new and expanding profession, studies the effect of basic emotions—fear, desire for recognition, hunger, need for variety, affection—on the consumer. These observers regard 1956 as a year of consumer adjustment after the heavy buying of 1955. The buyer slowed down, looked over his debts, and was held back by the uncertainties born of the political campaign.

This year, they say, seven human emotions will combine to move the consumer to put more money into cars, food, quality merchandise and clothing, furniture, health and medical care, recreation, education, hi-fi, air conditioning, home workshops and tools, kitchen improvements and products with a different twist.

A small decline is seen in sales of new houses, washing machines, kitchen ranges and refrigerators. This is because family formations are slowing down. Consumers tend to buy homes and kitchen and laundry appliances soon after they marry and start a family.

A drop in cheaper merchandise sales is forecast simply because the buyer is in the mood for more expensive items. A woman who paid \$1.98 for a blouse last year would pay \$4 this year.

Seven factors which will set the buying mood this year are:

1. Consumer optimism: Dr. Robert T. Bower, director, Bureau of Social Science Research, Inc., describes the present consumer attitude as "boom psychology."

Today's customer has confidence that his own economic future is secure (he believes his income will either rise or remain at present levels this year, and he has no fear of prolonged unemployment.) He has

faith in his national leadership. Higher prices do not worry him enough to hold up buying.

Dr. George Katona, who directs the Federal Reserve Board consumer studies carried out by the University of Michigan Survey Research Center, agrees:

"Once again far more people foresee good times in the year ahead than believe the country has advanced economically in the past year. The disparity between judgment of the past and firm confidence in the future testifies to the strong undertone of optimism which prevails today."

He adds: "Most American families have an abundance of unsatisfied needs. These are most likely to be transformed into effective demand when people are optimistic, confident and secure."

Solid facts back up this optimism. The wages of factory workers are at an all-time high—more than \$2 an hour. The working man has built-in guarantees of the future in welfare funds, retirement benefits and Social Security. Employment is at a record. The farm soft spots are improving. Disposable personal income increased steadily through 1956 to a record rate of \$327 billion in the third quarter with 7.4 per cent put into savings. Economists believe the 1957 buying boom will reduce the rate of savings to about the 6.1 per cent mark of 1955.

2. Desire for prestige: In one economist's view the desire for prestige is creating an "insatiable appetite" which will be a pushing force this year. A new dress, an air conditioner, a color TV set sold to one individual in a neighborhood or social group creates a buying desire in many others in the same unit.

A University of Michigan study showed that more than half the consumers who had purchased recently or planned to do so were acting because an acquaintance had the same or similar product. Only a fourth of the buyers made a deliberate check of prices and values.

An investigation revealed how air conditioning units, visible items of prestige, bunched together in a middle class section of an eastern city. When one

or two appeared on a block, others soon followed in that concentrated area.

The new model automobiles—perhaps the most easily identified prestige item on the market—have already demonstrated the effectiveness of this appeal. Studies by Dr. Gordden Link, of Psychological Surveys, Inc., indicate that a new car has what he calls “top buying priority”—especially for lower income groups. It can be seen, it can be traded, and it can be taken from place to place.

Clothing, too, will benefit from prestige buying. The pattern of clothes purchases is changing. People are not only attuned to buying more expensive clothing. They are buying more of it. Thirty years ago the average man had a suit for business and one for special occasions. Now he has four or five suits and sports clothing ranging from lounging garments to hunting jackets.

Other lines expected to benefit from prestige buying include furniture, jewelry, interior decorating, landscaping, private schools, color TV, air conditioning.

3. Desire for better living: The urge here is not only for finer living but for easier living. Handy examples of the effect are power lawn mowers and pre-cooked, pre-prepared and pre-portioned foods.

New developments in the latter field are expected to increase even further national food expenditures, which went up by five per cent last year. Consumers are buying more milk, meat, cheese and salad items, less of the old staples, grain and potatoes.

The immense growth of the domestic wine industry also reflects this new urge for better living.

The same urge prompts home shoppers to read real estate ads and drive out week ends to inspect model homes. The National Association of Home Builders expects a decline in number of houses sold but a rise in the median sales price from \$14,700 to \$15,000.

People are still interested in new homes, the industry says, but the mood is different.

More than half this year's sales will probably be made to people who already have homes but want a bigger house, more privacy, a *(continued on page 83)*

CONSUMER MOODS are the weather vanes that predict consumer buying — here are **3** of **7** attitudes analyzed in this article

**BETTER
LIVING:**

Means bigger homes, better foods, and more buying of the products that make life easier

PRESTIGE:

Keeping up with the Joneses may this year be the pushing force for quality products

VARIETY:

More leisure, plus the need to do something different, will spread interests, boost sales

Here's program for sound agriculture

With faulty standards removed, four simple steps will cure real farm ills

WE CAN solve the farm problem by taking four simple steps.

They are:

- Expanding markets
- Adjusting resources
- Tightening up farm management
- Adopting realistic pricing

Whether Congress will take these steps or continue the type of program which, over the past 30 years, has brought little help to farmers may depend on how well the public understands the true situation in American agriculture.

A study of the farm problem thus is definitely worth everybody's time.

Such a study needs to cover three points:

What is actually wrong with agriculture?

Why are the difficulties so hard to see?

What have we been doing wrong?

After we know these things, the reasons and practicality of a new approach to the farm problem will be plain. Here then is the farm picture as it is today.

What's wrong

The sore spots in agriculture are basically these:

► The farm, like most other raw material industries, is particularly vulnerable to price fluctuation. In farming this is aggravated because

millions of small units compete in volume of production rather than pricewise to undersell the competition.

► The demand for farm products is generally inelastic. This is a way of saying that the capacity of the human stomach is limited. The result is that small variations or excesses of output depress prices out of proportion to the output changes.

► Currently farm output has been pushed up by public policy—the demands of World War II and the postwar relief and foreign aid programs. The competitive drive in agriculture prevents a corresponding shrinkage back to normal market needs. No farmer can trim his output with any hope that this will appreciably affect the prices he will receive. We have, therefore, capacity and output two to four per cent greater than the current markets will take at prices satisfactory to most farmers. On this score many farmers feel that fast tax write-offs, contract renegotiation and end-of-the-war settlements have enabled much of industry to digest its wartime expansion while agriculture has not been helped to do so.

► A sizable backlog of government-owned or controlled stocks of past production is, to a major extent, the fruit of past mistakes in supporting individual farm commodity prices so as to make the federal government an important market for big chunks of the annual output.

► A cost-price squeeze comes from the wartime and postwar price rises in most of the nonfarm part of the economy which have progressively raised the farmer's costs. The result is that declining gross income has been multiplied into an even greater net income decline.

While the farmer's dissatisfaction on the score may be in part psychological, he can scarcely be blamed for feeling that government policy has fostered and encouraged the rising incomes of others, through wage increases, transportation and utility rates and higher taxes, all of which are mainly costs to him. Moreover, the cost-price squeeze increases the costs of what the farmer buys, and also adds to the costs of processing and marketing his products. He feels that the returns to him are lower because some of these costs seem to have been passed back to him in the form of lower prices.

► A major revolution in farm technology has transformed agriculture in the past 15 to 25 years. Most of the items in the new technology are relatively high cost and more farmers have found or are looking for more land over which to spread these costs. The result is larger farms, and a decline of 100,000 to 120,000 per year in the number of farms. This trend has caused a fear that the family farm may become extinct.

► Morale! Most farmers feel that their current situation wouldn't be so bad if they weren't seemingly alone in their adversity. They see, one after the other, new high records achieved in national income, national production, in employment, wages, and profits. They ask why, in this era of unprecedented prosperity, is agriculture included out?

Faulty standards

For several decades, government in one way or another has grappled with these problems—some of them as old as American agriculture and some of them temporary.

That we are no nearer to solutions than we were decades ago may be due in no small measure to the faulty standards by which we judge progress toward solutions. Among these faulty standards are:

► **Parity.** Originally devised as a measure of the farmer's relative economic position as a guide to corrective action to meet emergency conditions, parity has become a symbol of ethics in the economic sphere. To many it is synonymous with fairness, equity, economic justice, and many other good and virtuous qualities. Also every farmer can point out things in other parts of our economy

WHAT'S WRONG



The American farmer today has seven real problems which affect his attitude, his income and his way of life

FAULTY STANDARDS



National focus on farm needs has been obscured by emphasis on symbols which are not part of the problem

RELIEF EFFORTS

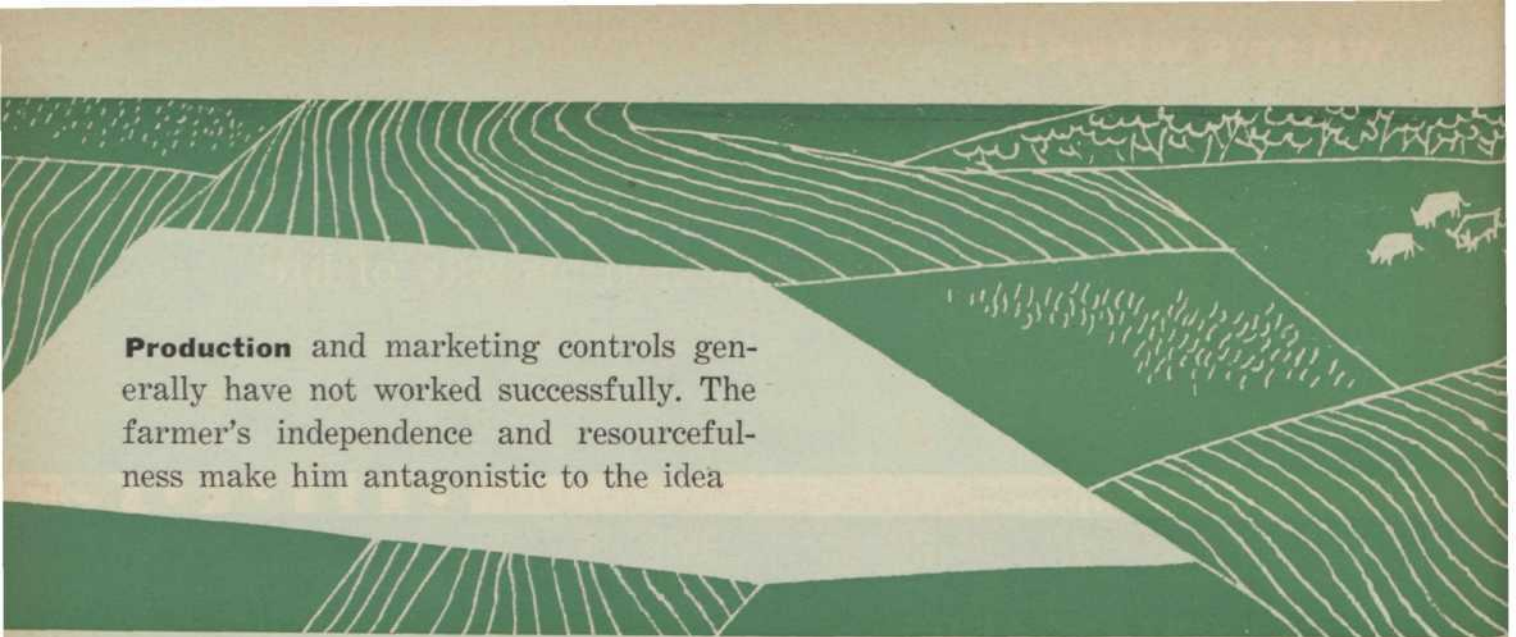


Federal legislation has more frequently dealt with the symbols than with the real requirements of agriculture

WHAT TO DO?



The present need is a program which will not treat agriculture as a gigantic permanent invalid



Production and marketing controls generally have not worked successfully. The farmer's independence and resourcefulness make him antagonistic to the idea

AGRICULTURE

continued

which he sees as parallels—such items as minimum wages, fair-trade laws, reasonable returns on investments, fair profits, and so on.

However, as a useful criterion, time and events are exposing parity's faults and limitations. As implemented by legislation, especially price laws, it has put an exorbitant emphasis on so-called basic commodities—wheat, corn, cotton, rice, tobacco and peanuts. As implemented with formulae for achieving it, parity has yielded totally unrealistic bases for guiding policy and programs. In the past the parity legislation has materially ignored or side-stepped important relative changes in our economy—changes in technology, costs of producing farm commodities, as well as the changes in public tastes and preferences. Attempts to modernize parity have met little success.

► **"The farmer's share** of the consumer's dollar." This, too, has become for some protagonists the final measure of the farmer's status. Calculated officially, it purports to measure or estimate only how much of the consumer's dollar gets back to the farmer as gross income. This suggests standards of equity and fairness. Actually in the world of business there is no more a farmer's share than there is some proper electrician's or plumber's share in the price of a home, or a fair transportation's share in the final price of the goods we buy.

► **The raw measurement** of the differences between per capita farm income and that of the nonfarm population.

Wide differences have always existed between the per capita farm

income and the per capita income of everyone else. Quite probably they will persist far into the future. Similar differences can be found for many other segments of the economy. On top of this, a large proportion of farmers have the ability to earn more dollars in other lines, but simply prefer to work for themselves, to work outdoors with nature and living things, rather than work for someone else in a city. Dollars of per capita income will never measure these differences.

► **The fate** of the so-called "family farm." While the trends are forcing major changes in the operation of the family farm, few serious students of agriculture see the end of this type of operation. These trends will result in bigger, better managed, better capitalized family farms, but they will be family farms still in that they depend essentially on owner management by the family, and on the family as the major labor source.

Programs to meet farm problems

We are now ready to take a quick look at some of the ways we have used these faulty standards in trying to relieve the real ills from which agriculture is suffering.

► **Price supports:** Government supports for farm prices were originally instituted as devices to provide stability to agriculture. The intention was to bridge temporary price disturbances (declines) until more orderly price conditions prevailed. The presumption was that what was bought or removed from the market temporarily would come back into the market when order was restored.

A further implication was that farmers would receive better prices

in an orderly market than in a temporarily chaotic one.

But stabilization soon grew to mean only one thing—price boosting. Thus price supports became a device for supplementing farmer's income from market sales. Pressure has persisted to keep supports at levels which would ease the cost-price squeeze and raise farmers' standards of living by aiming at parity. History clearly shows that supports at levels higher than necessary to achieve stability disrupt and destroy markets, distort and waste production and farm resources, and both postpone and aggravate fundamental adjustments that must be made eventually.

The issue over the level of price supports has boiled down to whether they shall or shall not be used as a socialistic means for redistributing income in favor of some farmers. Perhaps the easiest standard by which to judge such a program is to ask if the government, rather than the marketplace, is to be the destination of the product.

Because of the disruptive effect on demand and markets of arbitrarily high price supports some attention has been given to an alternative approach of supporting farm incomes. Under various names—the "Brannan Plan" was one of them—these programs would move farm commodities into the market at whatever price they would bring and then make up the difference between this and parity or some other fair measure by direct payments from the federal Treasury.

This approach has a superficial appeal and some support for three principal reasons:

1. On the presumption that cheap foods would stimulate consumption and make a more constructive use of

agricultural abundance it would free the market on the demand side.

2. It is said it would get the government out of the business of acquiring, storing, and marketing vast amounts of farm commodities.

3. It would result in more equitable treatment of all farm commodities and be of special advantage to those commodities underprivileged under the loan and purchase programs.

The case against the scheme is also persuasive. As long as present concepts of parity prevail (as a basis for the production payments) the total returns to producers would be so high as to stimulate production inordinately. This, because of the inelastic demand, would depress market prices to such a point that prices at the farm level would approach zero. Thus the consumer would, in effect, pay in the market place little except the cost of processing and distribution.

This means that farming would tend strongly to be underwritten for all practical purposes by public funds, with the farmer recovering both his costs of production and his family income from the subsidy payments. This is not only socialization of agriculture, but socialization of consumption as well. In effect we would be paying taxes to subsidize our own grocery bills.

Proponents who recognize the implicit dangers of the payments scheme propose to narrow these dangers by two additional socialistic devices.

They would assign quotas to limit output by any one producer. This would tighten the power of the central government over the business affairs of farmers and narrow their management freedom. The second step would be to limit the size of the quota ostensibly to protect and preserve the family farm.

Other more realistic students of the farm economy see merit in this approach provided two major conditions are tied to it:

1. The price standards against which the payments are to be calculated must be at realistic levels that compromise between parity and market prices as set by demand.

2. These standards must be consistently and gradually reduced so that ultimately prices are on a supply and demand basis with no supports or payments except possibly in temporary emergencies.

This version of a payments scheme would free the market on the demand side, get the government out of the commodity business, guide

agriculture toward an adjustment to real markets, provide a transitional period for adjustments, and ultimately liquidate itself as the price standards reached market levels.

Adherents of this view, however, recognize the sanctity with which parity is enshrouded and sense that, for political reasons, the gradual reduction of the price standards would be postponed from year to year indefinitely.

► Production and marketing controls. The notion back of the effort to control production to volume marketed runs like this: Demand is inelastic. This means that reducing volume will increase price proportionally more than the cut back in supply. Thus, a smaller supply will bring more dollars than the larger volume. Because farmers have little or no bargaining position or mechanism for effectuating monopolistic pricing, use the police power to enforce the cuts by keeping individual farmers in line.

Over many years this philosophy has been the essential basis for much of our farm legislation. With minor exceptions, controls have not improved the status of farmers. Probably the most important reason for failure is the common sense, resourcefulness, ingenuity and independence of most farmers. To this it may also be added that the whole idea is alien to most farmers' philosophies. Farmers are not in the least interested in contriving to achieve scarcity. Where they have seemed to go along in the past, it was only because some other productive use



Adjustments needed
to balance agriculture
include withdrawal
of some human, natural,
financial resources



PRICES



Cost-price squeeze is real, but government support program merely postpones and aggravates fundamental adjustments that will have to be made eventually

of their land, capital and labor was always available to them. Their basic antagonism can be expected to increase in proportion as the control devices really control.

Attempts to control supply have taken several forms, but in terms of current issues three kinds are important: "Acreage allotments," a device to limit crop acreages; "marketing quotas," which seek to limit physical quantities marketed; and "marketing agreements and orders," which aim at prorating the market in some commodities.

Although these controls have had material effect on some commodities, their over-all effectiveness in trimming production has been slight. Meanwhile their interference with normal adjustment as between commodities has distorted the farm economy, and added greatly to the problems of adjustment for farmers.

Acreage limitations as such, even when rigidly enforced, control only one factor in the production process—land area. This leaves producers three outs: Participation is voluntary; a farmer who does participate can then increase yields per allotted acre; he can divert nonallotment acreages to the production of commodities not controlled.

A further step in controls is the imposition of marketing quotas on some basic commodities. These restrictions are binding on *all* producers but even here the farmer has at least two outs.

1. Since compliance consists only in staying within the quota acreage allotment he has every reason to try to better his base yields used to figure the quota in the first place.

2. The law, in effect, defines marketings in excess of quota (and subject to penalty) as only the normal yield times any acreage in excess of the allotment. Here again, beating

(Continued on page 75)

Planned creativity pays off

Here is how research in stimulating ideas can help you to improve products and service and cut costs

NEW IDEAS that pay off are coming out of a four-step creativity program being developed at AC Spark Plug.

The program can be useful to almost any business or other organization interested in improving products, methods and service, finding new ones, and cutting costs. It is the result of new research in creativity—the art of getting more ideas out of employees.

Interest in this field has been stimulated by the shortage of scientists and engineers and the need for new ideas to keep a business both competitive and successful.

The AC creativity program—it is so new it is still called a "project"—suggests these four basic steps for management:

► Measure the creative ability of each employee. AC has developed tests for measuring a person's ability to think up ideas. Similarity of test results and the supervisor's judgment of a worker's creative ability has satisfied management that the tests are a good yardstick.

► Distribute the creative ability where it will do the most good. This involves shifting personnel around to give an even distribution, or to get creative ability placed in areas which require it.

► Teach employees to be more creative. This training is given by AC personnel in a series of 11 two-hour seminars in creative thinking. Classes are made up of 12 to 15 employees from similar departments and of comparable responsibility levels. Tests given before and after training satisfy AC that training can be effective, although some experts doubted it could be. Their view: Creative ability is born, not made.

► Supervise the employees in ways that bring out maximum creative effort. The AC program is built on the assumption that inspiration must come from top management and be supported by it. A major aim of this step is to remove any supervisory blocks to creativity.

The creativity project began three years ago when Joseph A. Anderson became general manager of AC, a division of General Motors which makes spark plugs, instruments, and some 30 other accessories at Flint, Mich. At Milwaukee AC is producing electronic bombing systems and sights and developing guidance systems for missiles.

Mr. Anderson's early experience was in process development, followed by many years in manufacturing. He is impressed with the high cost to a business of ideas which are not thought of, come too late, or are not developed to their fullest potential.

Too often, he says, we examine new ideas and say to ourselves: "We should have had this 10 years ago—if only someone had thought of it."

At AC, he adds, "Each new development we are introducing this year could have come out five years ago had we thought of it."

Besides new and improved products and methods, most businesses need to cut costs and improve efficiency to offset steadily rising wages and fringe cost benefits.

The General Motors labor contract with the United Automobile Workers calls for an annual wage increase of six cents an hour as an improvement factor; that is, to give the worker a share in assumed higher productivity. The creativity project is helping AC absorb this increase. Cost reduction goals are set for each department.

The idea development program helped lift AC to the top of General Motors' manufacturing divisions in terms of suggestion participation under the employee suggestion system, although the creativity program is designed primarily for engineers, designers, supervisors and other management employees. These people are not compensated for ideas as are hourly employees who can cash in on good ones through the suggestion box.

Beginning in 1952, suggestions received increased annually from 4,424, to 9,319, to 13,690, to 17,782. Suggestions accepted and compensated for rose from 1,174, to 2,174, to 4,079, to 6,158, out of a total employment of about 11,000.

A similarly high rate of idea production is shown by a group of more than 500 supervisors. In the first nine months of 1956, 42 per cent of them contributed a total of 437 ideas. Of these ideas, 256, or 58 per cent, were adopted. Savings totaled \$500,000.

AC gives as much credit for the boom in idea output to a favorable atmosphere as to the project itself. People are not afraid of being ridiculed if they come up with a ridiculous idea. Much of the shop talk dwells on ideas. Ideas are talked about even at parties and other social gatherings where AC men get together.

"The atmosphere is the key to the whole thing," says Dr. Richard Harris, general supervisor of education and employment, who has had a major part in developing the program. "I'm sure we get a lot of ideas simply because the creativity project is going, regardless of how good the project itself is."

Everybody in AC knows that Mr. Anderson is behind this program,

that he is serious about wanting all the ideas anybody can produce, regardless of how fantastic they seem. He took the training program himself so that he, too, could come up with more ideas.

Mr. Anderson believes strongly that top management must lead in creative development and that the urge for new ideas must infuse all of management and clear the way for ideas from below.

"Management can bring out creative effort, and management can also stifle creative effort," he says. "Most management does some of each. That is because good management is made up of a high degree of good judgment; whereas, high creativity involves risks and taking chances."

"A good manager," he adds, "is one who is right more often than he is wrong."

Unfortunately, Mr. Anderson explains further, creative ability is the opposite of good judgment.

"Creative ability," he explains "makes it necessary to experiment with novel ideas that are often unsound. It includes much of the gambler's spirit of taking chances."

The conclusion: A good manager, exercising good judgment, could easily become a barrier to creativity. Mr. Anderson is trying at AC to eliminate such barriers.

Martin J. Caserio, chief engineer for automotive products and research, is going a long way to remove barriers in supervision under him. No supervisor can reject an idea until it has been examined, and presumably rejected, by Mr. Caserio himself. He says:

"We have to remove blocks and keep the path open for a person who gets an idea to be able to submit it without having it rejected at the first level."

Testing

AC's creativity program begins with testing to measure an individual's creative ability.

More than 700 engineers, designers, and other technical people have taken creativity tests and been trained in creative thinking.

Administrative employees and supervisors in the manufacturing department have been tested and some have been shifted to distribute creative talent more effectively.

Sales and accounting employees will also be brought under the program as it gets rolling. The secretaries want in on it, too. In sales, the drive will be for new techniques and sales ideas, rather than on creation as such.

"Selling can use a lot of creative
(Continued on page 48)

How AC's program works:

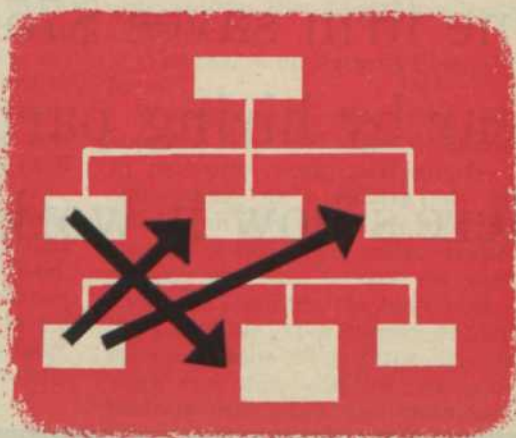
1.

Test each employee's creative ability



2.

Shift personnel to distribute ability so it does most good



3.

Conduct training courses to teach the creative approach



4.

Adopt management practices that encourage workers to have ideas



This idea ends work pile up

One firm saves \$75,000 a year by hiring part-time help. Here's how it works



PRESENT HIGH cost of labor has opened, paradoxically, a vast new reservoir of labor—the part-time workers.

The boom has achieved such impetus that half of the total increase in employment in the past year was due to part-time workers, even though part-timers rarely represent more than 15 per cent of the total number employed. The supply and demand for part-time labor began taking a dramatic new spurt late in 1955. By last summer, 8.5 million persons were working part-time; by the Christmas shopping spree, the figure exceeded 15 million.

The symptoms of this new boom were specific as well as general:

► In Washington, the Department of Commerce suggested to businessmen and government officials that they try to fill the secretarial shortage by hiring two part-timers to fill one full-time job.

► In Chicago, Marshall Field & Company launched an advertising campaign on radio and in the newspapers to attract part-time help. ("Do you want to sell pretty lingerie for six hours a day?")

► In San Francisco, a grandmother in her 40's started renting part-time and temporary labor to industry and found herself grossing \$50,000 with-

COVELLO—BLACK STAR



<
Mrs. Norine Blair looks too busy already but she has the time and skill for part-time work when called

>
Temporary help agencies maintain lists of qualified workers, go into action when employers call for help



in a year. Much of the boom can be traced to a new concept of part-time labor: the temporary worker.

Traditionally, the part-timer works a few hours regularly, every day of every week. But the temporary worker toils full-time for several days or several weeks or even several months with no intention of working permanently. The temporary worker gives an employer new flexibility in tackling emergencies or brief, important jobs that demand a huge, though short term, labor force. He supplements but doesn't replace the full-time labor force.

What brought on the boom in part-time labor?

The demand for labor and the demands of labor.

As the full-time labor supply was depleted by the intense competition for labor, the part-time supply opened vast new possibilities. It could relieve the production backlog—one midwestern personnel manager admits that he's put as many as three part-timers into one full-time job "just to get a few more man-hours of production"—and do it more cheaply than the full-time supply.

"You can't afford to keep a crew to handle 100 per cent of your peak business," says the office manager for a big grain processing and stor-

age firm. "It's economically unsound beyond 70 per cent."

To meet their peaks, while keeping their full-time staffs low enough to meet only the average business pace, many businessmen turned to part-time and temporary help. The *Detroit Free Press* hires from three to 30 extra girls to handle the mail for its Tangle Towns contest. One of New York's largest banks hires a part-time crew for a few days every month to clip coupons from thousands of bonds. The New York Stock Exchange regularly takes on a part-time squad of about 30 clerks to work 20 hours a week sorting and pigeonholing securities.

Many other businessmen turned to part-time and temporary help to get past emergencies—the kind you like and the kind you don't. Some years ago, a toy manufacturer put a \$1 plastic doll on the market, expecting to pick up about 5,000 orders for the Christmas trade. To his surprise, orders flooded in by the tens of thousands. His six-girl office staff couldn't handle them.

"I felt like a man walking along a street covered with dollar bills that I couldn't pick up," he told a friend. The friend steered him to Workman Service, one of the pioneers in recruiting and renting temporary help. Workman assigned 20 girls to tackle

the mail. By the time the rush ended, the toy manufacturer had sold every doll he could produce and was preparing for a jubilant Christmas.

A Caterpillar Tractor Company dealer in Tacoma, Wash., saw his office and parts stock destroyed by fire. He called upon Manpower, Inc., which also specializes in renting part-time and temporary help, to proofread 3,484 parts cards to replace those destroyed, then to price out a 70-page salvage inventory in two days. In the next two months, the dealer turned time and again to Manpower help for cost-estimating and routine work on the final insurance claim. That he managed to get back into his full-time routine so swiftly, the dealer later declared, was due largely to the fact that "an organization like Manpower exists in Tacoma."

Who makes up the part-time labor force?

Women for the most part; they have the time and skills demanded in part-time work, particularly in office work. As a result, only one third of all part-timers are men. Except for a few white collar workers picking up extra income on weekends and evenings, the huge bulk of the part-time labor supply is made up of persons who won't or can't work full time—housewives, older persons who can't find permanent jobs, teachers, students, and others who have seasonal occupations, and millions of men and women who demand considerable free time every day or every week.

Most part-timers would turn down a full-time job if it were offered to them. Only one out of eight is working part-time because of slack work on his full-time job or other economic reasons. Comparatively few part-timers are found in factories; most of them are qualified for office work—there are at least 600,000 office jobs open—and other skilled and unskilled labor.

How can you tap the part-time labor supply?

All the familiar methods are available—want ads, state employment service, direct mail advertising, even word of mouth advertising. But there's also another effective way: the temporary-help agency.

Ten years ago there were only a few of these agencies. Now there are 36 such agencies in New York alone and a half-dozen agencies have offices in two or more cities.

Among the largest are Manpower, Inc., which has 93 offices in the U. S. and six in foreign countries and Russell Kelly Office Service, which has offices in 55 cities.

(Continued on page 66)



Part-time workers, mostly women, only supplement the full-time force, fill peak demands, emergency jobs

PROMOTION PATHS CLOGGED?

try this

FAR SIGHTED businessmen are taking a sharp look at a thorny management personnel problem that has gone largely unmentioned in all discussions of executive development. They have come up with some useful suggestions for dealing with it. The problem is:

What do you do with the unpromotable executive?

This term, as management experts currently use it, does not refer to the occasional incompetent who by fluke or favoritism has reached an executive job which he cannot handle. What to do with him should be fairly obvious.

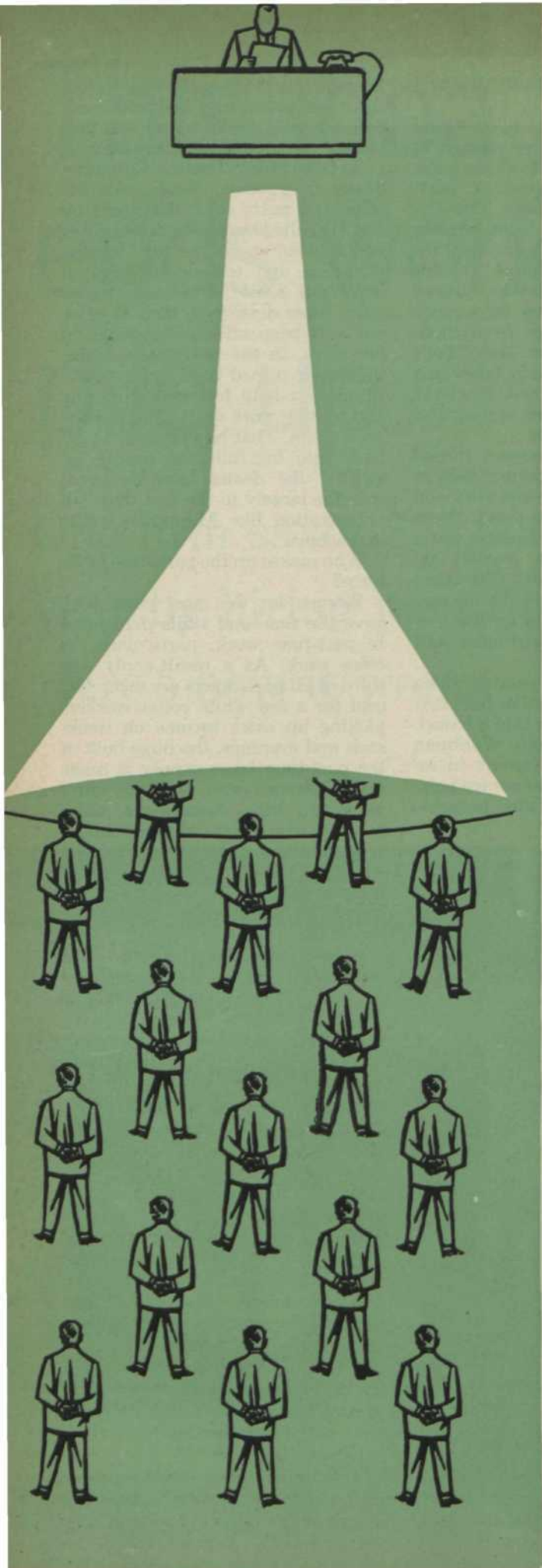
It does refer to the loyal and capable man who has given his company years of valuable service, who is thoroughly competent in his present job, but who is unlikely to advance further.

Corporation officials and management engineers who have studied the question closely are now convinced that this man is a serious hidden hazard to business efficiency. Failure to understand the nature of the problem and to cope with it intelligently, they say, can jeopardize your firm's future by undermining management morale and driving away the bright young men you are trying to develop for tomorrow's leadership.

Every company has its share of unpromotable executives. They are the inevitable result of the hard facts of business life.

The management structure of any organization is in the shape of a triangle. (The triangle may be steep or relatively flat depending on how broad a span of control is feasible; but the organizational chart from chief executive down through first-line supervisors is always essentially triangular.)

Funneling up through this triangle are scores, hundreds or thousands of men (depending on the size of your firm) who are in the rectangular manpower pool below the management hierarchy.



As the rectangle tries to push upward, various segments of it (representing individual human beings, with their hopes and ambitions) find their progress blocked by the constantly narrowing sides. The higher a man goes, the more restricted are his opportunities for further advancement. One man only can reach the pinnacle; the rest must sooner or later come to a halt at a lower executive level.

Your firm, in other words, is holding up one carrot for a hundred rabbits. In the very nature of its organization there is, as one management engineer put it, "built-in frustration for a lot of able and ambitious people."

This frustration has a particularly serious impact on American businessmen because of the extremely high premium which our culture has attached to the external symbols of success. It is part of our folklore that any stockroom clerk can become president of the company if he tries hard enough. Businessmen, particularly those who have climbed part way up the executive ladder, are often obsessed with the idea that their family and friends and society at large will regard them as failures unless they somehow manage to claw their way to a top management berth before retirement.

Psychiatrists, among them Dr. Robert H. Felix (see "How to Live with Job Pressures" *NATION'S BUSINESS*, September, 1956), have pointed out that the resulting drive for "promotion at any cost" is one of the worst of the pressures that are taking such a heavy mental and physical toll of American executives.

The first essential in dealing with the unpromotable executive, then, is to recognize that the man who finds himself standing still when he feels he ought to be climbing faces a serious problem of adjustment.

The desire to get ahead has been, until now, one of his most powerful incentives to peak productivity. As the realization gradually dawns on him that extra efforts are unlikely to lead to further advancement, he is strongly tempted to throttle back to a lower and more comfortable level of performance.

If he is still young enough to go job-hunting, he may divert his primary interest from your company's affairs to a discreet search for greener pastures elsewhere. But if he has reached an age where transfer is difficult, and has built up pension rights and other seniority benefits he is unwilling to surrender, he may elect the course which some managers wryly describe as "retiring while still on the executive payroll." That is, he performs just well enough to hold onto his job, avoids risks, passes the buck on tough decisions, and generally takes a what-the-hell attitude toward company problems that he once would have regarded as exciting challenges.

For some middle-aged executives, the realization of unpromotability may lead to even more severe reactions. If their arrival at a dead end happens to coincide with private adjustment difficulties, such as family trouble or the male climacteric, they may be driven into actually neurotic symptoms—heavy drinking, a major health crack-up, bitter resentment toward higher executives or associates who are still moving up, deliberate persecution of subordinates (and especially the most promising ones, who are now eyed, not as candidates for executive development to be coached and encouraged, but as dangerous potential rivals whose threat to "my job" must be nipped in the bud).

To have such an executive at the head of any de-

partment is bad enough for a firm. In a far worse plight is the company which permits a crust of unpromotables to accumulate in its middle management, blocking every ladder and completely sealing off the upper part of the triangle from the young comers who are being feverishly recruited and energetically developed in the lower echelons.

If you let a crust form in your organization, your brightest young men, those you are counting on to provide a reservoir of executive skills for the future, will take a look at the jammed ladders above them—and get out. They will place the training and experience you have given them, often at considerable cost, at the disposal of another company where, in the classic phrase, "the salary isn't any higher but the opportunities for advancement are much better."

When death and retirement finally break up the crust in your firm, and you look around for all those promising young replacements you thought you were bringing up in your executive development program, you may find that only the second-raters are still sweating it out.

What can you do to prevent a crust from forming in your management structure?

There is one efficient formula. It has been used by the Navy for many years, and by the Army and Air Force for the past three years. It is called the "force-out." To install a force-out system, you prescribe an

Failure to understand the nature of the promotion problem and to cope with it intelligently can undermine management morale, drive away the bright young men you'll need tomorrow

arbitrary time limit for a man to make the jump from middle to top management. If he isn't promoted within that time, he is forced into retirement. Thus, in the Army, an officer who holds the permanent rank of colonel must win a brigadier general's star before he has completed 30 years' service or five years in grade. Otherwise, he is automatically placed on the retired list.

This system has three grave disadvantages:

First, to work effectively, it must be operated in a completely ruthless and inflexible manner, with a Spartan disregard for individual cases in which its application may be patently harsh and unfair.

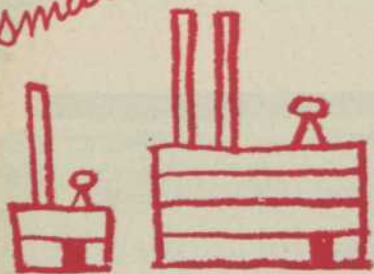
Second, it is extravagantly wasteful of executive talent. Thousands of able and conscientious military officers are shelved by it in their early fifties, just as they are reaching prime efficiency. Fortunately, they are not lost altogether to society—most of them find a ready berth in business. (Continued on page 86)



Race to help SMALL BUSINESS starts

Best bets are that the present Congress will be asked to take six types of action

*What is
small business?*



**GOVERNMENT
PROCUREMENT
STANDARD:**
under 500 employees

**SENATE
SB COMMITTEE:**
any firms except
top 3 or 4 in
any industry

**SBA, FOR
LOAN PURPOSES:**

Small--under 250
employees

Large--over 1,000

Between--depends on
SBA standards
for that industry

THE AMERICAN small businessman—target of much political oratory in the recent campaign—will be the target of an equal amount of administrative and congressional action in the next 12 months.

The Republican-controlled Administration and the Democratic-controlled Congress will vie with each other to offer tax advantages, credit aid, more government contracts, technical assistance, and increased protection from larger competitors.

The two parties agree, publicly at least, that there is a separate sector of the economy that can be called small business (although neither can define it) and that this sector is badly in need of government shoring-up. Many businessmen and economists quarrel with this thesis. They agree that a large number of prosperous small firms is necessary if the economy is to be healthy, but they maintain—with considerable evidence to support them—that government action can do little to save many small businessmen from failure.

Washington's interest in small business has been growing for years. Not all of it is political. Many Democrats and Republicans are sincerely concerned. But the campaign made small business a political issue.

The Democrats, who had long been viewing with alarm, stepped up their charges that the Eisenhower Administration, dominated by big business, was ruining the small businessman. They attempted unsuccessfully to push through Congress some sweeping tax and credit measures. Their 1956 platform denounced the GOP record for "discrimination against small and independent business," and promised ac-

tion in five major fields. Democratic orators made much of alleged Administration neglect of little business.

The Republicans denied the Democratic charges and defended their own record. They insisted that most small businesses had shared in the record U. S. prosperity. At the same time, however, they charted a special program of their own. The President appointed a Cabinet committee, headed by Arthur Burns, then chairman of the Council of Economic Advisers, to study the situation. While generally applauding the GOP record, this group recommended 16 specific changes in law and administration policy which they said would help small firms. The President, well before the election, promised to push these in the years ahead.

Some of the things the government will do to carry out these various promises are already clear. Others can be seen only in general outline, with details still to be worked out. Here are the best bets for government action:

Taxes: Liberalized depreciation, larger loss allowances, easier estate taxes and other technical changes are being considered for small businessmen. Expected revisions in the methods of collecting federal excise taxes, along with some possible excise tax rate cuts, for small manufacturers and retailers. A major tax change—some reduction in the corporate tax rate tailored to small firms—is the subject of an acute controversy within the Administration and in Congress.

Credit: The Small Business Administration, now lending at the rate of \$7.5 million a month, will be continued beyond its present June 30

termination date, and with more money to lend. Even more liberal programs of government financial help may be ordered.

Procurement: Government agencies, under constant and strong pressure from Congress, will attempt to give more government buying and research contracts to little companies.

Competition: The Administration will push, and Congress will likely approve, various measures to toughen the antitrust laws.

Technical aid: The SBA will enlarge considerably its program of technical and management advice.

Paperwork: New steps will be taken to simplify government reports and other paperwork especially burdensome on small firms.

Precisely whom these various efforts will help is not entirely clear. Although everyone agrees that a large number of small firms is necessary if the economy is to be generally healthy, everyone has a different idea as to what a small business actually is. Federal procurement agencies broadly consider a firm small if, with its affiliates, it employs fewer than 500 persons. The Senate Small Business Committee classifies as a small business any independently owned and operated enterprise that is not one of the three or four biggest in an industry. It doesn't care whether the firm employs 20 workers, or 20,000.

The most detailed definition is that used by the SBA for loan purposes: A manufacturing concern is considered small if it employs 250 or fewer persons, including employees of affiliates, and large if it includes more than 1,000 persons. If it employs more than 250 but not more than 1,000 persons, it may be considered either small or large, depending on the employment size standard which SBA has developed for its particular industry. Most wholesale concerns are classified as small if their yearly sales are \$5 million or less. Most retail and service trade firms are considered small if their yearly sales or receipts are \$1 million or less.

Despite these varying definitions, government groups generally agree that some 4 million of the 4.25 million plus U.S. businesses are small business.

Why all the concern about small business? Those who worry about this part of the economy list various reasons. The latest semiannual report of Small Business Administrator Wendell B. Barnes, for example, ticks off these:

► The number of business failures,

as listed by Dun & Bradstreet, Inc., went up from 42.2 per 10,000 firms in the first half of 1955 to 48.7 in the first half of 1956.

► While many small manufacturers shared in the general improvement of business earnings which began late in 1954 and continued through the present, a substantial gap remained between the level of earnings of the smaller firms and that of the larger ones.

► The small business share of total sales and earnings of manufacturing corporations has declined. In 1947, small business had 18.9 per cent of sales; this had dropped by 1952 to 15.5 per cent; by 1953 to 13.7 per cent; by 1954 to 13.6 per cent; and by 1955 to 13 per cent.

► The small business share of net military procurement under prime contracts was 20.7 per cent in the period between July, 1955, and April, 1956, compared to 21.3 per cent in the previous year. (Figures for new procurement commitments, however, edged up a fraction of a per cent during the period.)

► Many small businesses have been unable to get bank loans. The report quotes Allan Sproul, former president of the Federal Reserve Bank of New York, to the effect that "the impact of a policy of credit restraint is greater on small business than on big business."

Basically, Mr. Barnes thinks small business is in good shape, but that there are problems that must be watched.

"All over the country," he said in an interview, "I find new factories, prospering small companies, new ideas, new projects, new prosperity. But small business does have some problems. It finds it hard to make capital additions because of restrictions on credit. The pace of technological development, which began in 1945 and 1946 as a gradual upward rise, is now so fast that it would appear as an almost vertical line on a graph. The small fellow is having trouble keeping up. We want to see that the smaller segments of the economy expand with the larger."

Mr. Barnes thinks that the failure rate among small businesses is not as alarming as it otherwise might be, because of the tremendous increase in the number of new firms. "In every month of the Eisenhower Administration," he asserts, "the number of incorporations was greater than in the same month of the previous year."

The Democrats tend to take a gloomier view. A recent report from House Small Business Committee Chairman Patman of Texas hit

hard at the rise in small business failures, the failure of small business to participate in the rise in profit rates reported by big business, the drop in small business' share of total productive facilities, the large share allotted big business in government purchase orders and research and development contracts, and, of course, the difficulty in getting credit.

A Senate Small Business report portrays a steady growth of big business—an "oligopolistic" trend—through mergers and consolidations. The senators see small businesses suffocated or absorbed as manufacturers tend more and more to put out complete lines—a television and radio set manufacturer, for example, expanding its line to cover refrigerators, washing machines and other types of goods.

Similarly, in the field of retailing and wholesaling, they see dangers from the development of chainstores and mass-merchandising outlets, as well as from "the progressive infiltration of the retail selling field by manufacturers."

With both parties wedded to the doctrine of helping small business, it's become close to economic and political heresy to question publicly whether government efforts and money should actually be used to keep in business small firms that otherwise would fade out in the economic struggle. Nor does anyone question too loudly in public whether particular schemes advanced to help small firms actually will help them. Thus, the Cabinet Committee and many important Democrats in Congress propose as their major tax relief change for small firms a lower corporate tax rate on the first \$25,000 of corporate income. Yet most small businesses are not corporations but rather are individual proprietorships or partnerships, and would not benefit from this tax relief proposal.

The official and public consensus in the executive and legislative branches instead remains unshakably that little business must be helped. Here, then, are some of the schemes being considered to help it.

Taxes

"In the past quarter century," declares the Cabinet Committee report "an enormous increase has occurred in the burden of federal taxation. The impact of this development has been especially severe on small businesses. Such concerns have little or no access to public markets for capital. If they are to grow, they must have the wherewithal to expand plant, equipment and markets.

(Continued on page 54)

UNIONS PONDER

work time cuts

Economists warn that a lower real income may result but labor debates changes, prepares to press for action

FEWER working hours, without a pay loss, will be labor's next major demand. Real pressure for this may be more than a year away, but union and business leaders already are getting ready for any showdown that may come.

Union economists are discussing various ways workers can enjoy the added leisure they are confident is not far off. Business spokesmen warn against going too far too fast.

"Any movement toward a shorter workweek," according to Dr. Emerson P. Schmidt, director of economic research for the Chamber of Commerce of the United States, "should take place with a clear understanding that more leisure may mean lower real income."

Union economists do not agree on the way more time off can be given, and past experience in reducing hours of work offers little guidance. They are asking:

- ▶ Would it be better for workers to put in fewer hours a day? Fewer days a week? Or a combination of both?
- ▶ Should workers get longer vacations? Or should they get more frequent vacations?
- ▶ What about more holidays?

▶ Or more three-day week ends?

▶ Or long leaves of absence?

Economists of the AFL-CIO and many international unions are analyzing these and other questions. They are discussing them with the union leaders who will make a demand for shorter hours at the bargaining table, in Congress and in state legislatures.

Some employers already have faced the demand but it was only a perfunctory feeler in most instances. A few industries employing large numbers of skilled trades workers, notably ladies' garments and printing, already have shorter work schedules. But the standard for most workers since the mid-1930's has been a 40-hour week.

More steam will be generated behind the shorter hours drive this year as a build-up for 1958. Walter P. Reuther, AFL-CIO vice president and head of the United Automobile Workers, has warned he will make a hard fight for a four-day, 32-hour week in the next negotiations with major automobile manufacturers.

Such a break-through in this mass production industry would soon build more pressure for a general reduction in working hours in all

industry. The rapid growth of cost-of-living wage escalators and supplemental unemployment benefit plans are examples of the chain-reaction effect of new labor developments in Detroit.

Mr. Reuther's demand will surely meet strong resistance from the automobile industry.

John S. Bugas, vice president, industrial relations, of Ford, for instance, has said, "We are still a long, long way from that time when, if ever, technological progress and the resultant productivity will be so great that we have to worry seriously about dividing up the available working hours."

"As industrial managers," he continued, "we must be deeply conscious of our responsibility to see that the fruits of the increasing productivity of our industrial economy are distributed fairly among all interested elements in our society, and that the conditions basic to continued growth and health are not impaired."

Dr. Schmidt believes that, given a choice between more leisure and more real spending power, the typical worker would prefer more income.

"Investment per worker is rising," Dr. Schmidt points out. "Under a shorter workweek the number of dollars of investment per actual man-hour of work would rise still higher. Somehow the consumer pays for all the costs of production."

Some labor officials have admitted, he says, that their real aim is to reduce the workweek in order to get overtime premium pay for hours above 30 or 32 a week.

Labor's confidence of winning shorter hours is fed by past experience and by forecasts of future trends.

Labor's weekly hours have already dropped from an average of 60 in 1900 to 40 today.

The staff of the Joint Economic Committee of Congress, basing its forecast on an assumption that hours of work decline about 0.8 per cent a year, has predicted a reduction of about four hours a week, or 200 a year, between 1953 and 1965.

Past reductions in working time have taken many forms: fewer days a week, fewer hours a day, paid vacations and holidays, occasional leave for jury duty, voting, death in the family or other reasons.

Labor economists are now studying which of these alternatives—or combination of them—will mean most satisfaction from the 200 extra hours of leisure that unions are preparing to seek.

Here are some of the various alternatives as analyzed by Peter

Henle, assistant director of the AFL-CIO Department of research, and business economists:

Shorter daily hours

Argument for: Women workers have more time to prepare evening meals. Workers have more time in evening for family life, social activity, civic duties, adult education, household projects. Work shifts could be staggered over a wider period and ease rush-hour traffic. Those more interested in income than leisure might hold two jobs, if hours were dropped to, say, six a day, as in Akron rubber plants. This method has been traditional, and would be less disruptive of industrial practices.

Argument against: A workday of seven or, perhaps, seven-and-a-half hours would not fit continuous process industries such as steel and synthetic fabrics. A six-hour day, which the United Steelworkers plan to seek in basic steel in 1959, is not suitable for three-shift operation. A necessary fourth shift in continuous process industries would increase demand for labor in a period when labor supply is becoming more stringent.

Business economists point out, further, that a six-hour day would require a 33½ per cent increase in hourly rates to maintain existing pay levels. It took six years for

average hourly earnings in manufacturing industries to rise 33½ per cent to their present level, accompanied by a 10 per cent inflation. Adjusting for inflation, the rise took eight years.

Even with a six-day workweek, a six-hour day would entail an increase in average hourly earnings of 11.1 per cent. Without adjusting for inflation, it would take two and a half years to absorb the increase.

Fewer days a week

Argument for: Three-day week ends would increase short family trips, boom do-it-yourself projects. Holidays falling next to the week end would provide occasional short vacations. Recreation and travel business would benefit.

Argument against: Going from a five to four-day week, with no increase in daily hours, would require a 25 per cent pay rate increase to maintain take-home pay. Moving gradually by first going to a week of four and a half days (36 hours) would require only an 11.1 per cent increase in pay, but the half day would be undesirable to workers who travel long distances to work, would increase absenteeism, and would be less productive because of a disproportionate amount of time spent in starting up and closing down operations. Family life and living pat-

terns would also be affected, because all aspects of American life would not shift to a four-day week at the same time. Housewives and school children are geared to a five-day-week pattern. Does the housewife want her husband at home for three consecutive days each week?

Three-day week ends

Arguments for: Problems raised by the four-day week would be less pressing. The three-day week end coming, say, once a month would be a special event, rather than routine. This could be a way to get additional holidays with pay.

There could be a built-in flexibility, with long week ends planned in advance each year to coincide with holidays which fall near the week end. Collective bargaining has moved in this direction, with the concept of holidays having been expanded to include, for example, the Friday after Thanksgiving.

"This," Mr. Henle says, "might provide a particularly desirable way of obtaining increased leisure."

Argument against: Three-day week ends would raise many of the same problems as the four-day week if they occurred more than once a month. Occasional three-day week ends would not produce much extra leisure time. A frequency of once

(Continued on page 84)



SHORTER WORKWEEK

is only one way unions think work time can be reduced. Others are:

- Shorter workday
- Longer vacations
- More vacations
- More holidays
- Leaves of absence

Question: Will housewife like husband around the house three days a week?



HOW'S BUSINESS? today's

SPECIAL REPORT

Here's outlook for major legislative issues by the staff of the Chamber of Commerce of the United States

AGRICULTURE

The new Congress will consider farm legislation of several sorts.

Price support levels will probably be debated heatedly. Attempts will be made to broaden benefit programs by proposing direct production payments to farmers, (the old Brannan Plan).

Further subsidy for consumption by food stamp plans and by similar schemes will receive serious attention.

Revision of the Soil Bank Act will be an issue. Some want to tighten it up to make it more effective. Some would make it more liberal.

Redefining of "parity" will evoke conflicts between the commodity interests as well as between essential philosophies of the role of government in farming.

Proposals to preserve the small family farm will probably be considered.

The Administration is expected to deal with these areas without much change in the policies to which it has adhered, subject only to minor compromise. The election brought no significant change in either the House or Senate agricultural committees.

ATOMIC ENERGY

The Joint Committee on Atomic Energy will have to solve the question of private versus public development of atomic energy. The focal point: Who will build atomic reactors? The committee will have substantially the same members who served in the 84th Congress. Replacements will be named for Senator Millikin, who retired, and the late Rep. Carl Hinshaw.

The chairmanship moves from the Senate to the House with Rep. Carl

Durham (N. C.) in line for that assignment.

A bill calling for federal construction and ownership of nuclear reactors will probably be reintroduced. The passage of such a bill would advance government toward monopoly in the atomic power field.

Business interests will urge that private enterprise be given as free a rein as possible in developing commercial uses of atomic energy, and that federal indemnification be provided for liabilities in excess of amounts that can be covered by private insurance.

CONSTRUCTION

The hot point in the housing issue has been generated by the tight mortgage money situation.

This is mostly the result of selective credit controls in the form of the 4½ per cent pegged interest rate on VA guaranteed mortgages. The increase to five per cent of the rate for mortgages insured by the Federal Housing Administration may relieve the tight money situation to some extent.

Pressure undoubtedly will be exerted in Congress to change the law to permit a raise in the VA rate.

Campaign speeches indicated a considerable emotional element in the housing issue.

The election did not materially change the membership of the House and Senate committees handling this legislation.

CREDIT & FINANCE

Over-all lendable money will continue tight, but long-term commitments may loosen some with short-term money holding firm.

Congressional thought will be turned to the tight money situation

during 1957. However, the current level of business and employment speak well of the Federal Reserve's policies.

Bankers are watching carefully Senator Robertson's over-all study of laws and regulations which is now in progress in the Senate. Minor issues are expected to develop, but on the whole there appears to be little discord among financial men as to the planned changes in the laws.

A possible over-all monetary commission may result from the Senate Banking hearings with a two to three study limit.

The upward trend in prices is expected to continue through the first half of 1957 with no lessening of monetary restraints. Gross national product may climb to \$420 billion with the first six months of the year, hitting new highs.

The second six months of 1957 may see some tendency of a decline due mainly to a relaxing of business expenditures for plant and equipment.

The danger of large-scale war is not a major factor in business planning except that world conditions make it unlikely that any reduction in defense spending will be possible.

DISTRIBUTION

There will be a concerted effort to extend coverage of the Federal Wage and Hour Law to some 4 million retail and service employees, plus about 6 million others in miscellaneous occupations. Also, there may be attempts to raise the minimum wage from \$1 an hour to \$1.25—and to lower the work week from 40 to 35 hours.

Both political parties are committed to work for extended coverage. This is in both platforms, and it was also mentioned in campaign speeches. Most of the power behind proposed changes will come from union leaders.

Jurisdiction over this issue will be in the House and Senate Labor Committees. Defeat in the November election of two conservative members of the House Committee may increase pressure on Chairman Barden of N. C., who has opposed extended coverage in the past. The Senate Committee appears to be about equally divided since Senator Doug-

las, a staunch advocate of extended coverage, has transferred to the Finance Committee. However, if President Eisenhower applies pressure, most of the conservative members of this committee will fall in line.

FOREIGN TRADE

Foreign trade volume will have an uphill struggle this year to match the estimated 1956 export and import total of \$29 billion.

The 1957 total could come close to last year's trade if the present international situation does not worsen, if the U. S. helps meet the Western Europe oil shortage and if Suez Canal traffic can be resumed within three months.

The Near East crisis and unrest elsewhere on the globe will sharpen national interest in America's foreign aid program. Congress will study the effectiveness of the foreign aid program, its balance and regional emphasis, economy of operation, administrative efficiency and its relationship to the national economy. Groups analyzing the problem include the Senate Foreign Relations Committee, the House Foreign Affairs Committee, the President's Citizens Committee and the Chamber of Commerce of the United States.

EDUCATION

Congressional leadership in both parties is committed to federal funds for school construction. President Eisenhower has said he would propose that his five-year program be carried out in four years. The only party difference is the method of distributing funds, though the Administration is acting on the principle of emergency assistance rather than the concept of permanent federal responsibility.

The election made few changes in either the Senate or House committees that deal with such legislation. The House committee voted 21 to 9 for a federal aid to school construction bill in the 84th Congress. Two who voted against it were defeated for re-election. The committee vote on such a bill is not likely to be any different this year.

The segregation question which, as amendments, stymied last session's

education bill, again will be a factor unless legislative maneuvers confine the problem of segregation to an omnibus civil rights proposal.

GOVERNMENT SPENDING

The outlook for reducing federal spending in this session is bleak. Neither party platform called for government economy. The Democrats proposed billions of additional spending. This may be reflected in bills introduced.

Keeping next year's expenditures at the current level would in itself be a significant accomplishment.

Both defense and nondefense expenditures are expected to be higher than the budgetary peaks that were established this year.

There has been little change in the Appropriations Committees. In the last Congress the Senate Committee leaned strongly toward economy. The House Committee was more evenly divided.

The outcome of the economy fight will depend upon its impact on each committeeman's constituents, and upon the particular function being discussed.

HOOVER COMMISSION

The Republican platform strongly endorsed the Hoover Commission's program and the President told Congress, after it adjourned, that "a great deal more remains to be done."

There have been few changes in the membership of the committees likely to handle most of this legislation. Senator McClellan, former Commission member, now heads the Government Operations Committee, and the Commission's strongest backers in the House were re-elected.

The Democratic majority in the Congress ran on a platform that ignored the Commission. Opposition

to some recommendations is likely from the House committee chairmen responsible for their consideration, and the Administration itself is opposing portions of others.

INSURANCE

The Administration will again propose to establish a Federal Health Reinsurance Agency. Also anticipated is a bill to authorize private insurance companies to create a health insurance pool, not involving government intervention. This may relieve pressure for a federal health reinsurance plan.

Proposals for federal grants to subsidize private medical care prepayment plans are expected. These have received bipartisan support in the past and the same situation may be expected this year.

Leadership of both parties is committed to some form of intervention in health insurance.

LABOR

Consideration of the Taft-Hartley law will center on two questions: right-to-work and secondary boycotts.

Repeal of the provision affirming the right of states to enact right-to-work legislation is the primary national legislative aim of the labor organizations.

The Democratic platform emphasized the right-to-work section, stating that, because of it, the Taft-Hartley Act must be repealed.

The Republican Platform called only for overhaul and improvement of Taft-Hartley, with no specific mention of the right-to-work section. Secretary of Labor Mitchell has taken a stand against state right-to-work laws as such, but has not attacked the Taft-Hartley provision.

Right-to-work laws are part of



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the broader question of state rights, which will likely receive considerable attention in the new Congress.

Legislation to close secondary boycott loopholes was introduced at the last session of Congress and will likely be reintroduced in this one. Whether hearings will be held depends on a number of developments.

There will be strong opposition to such legislation because both party platforms are committed to approaches that would weaken the existing limited boycott provisions. The Senate Labor Committee, moreover, has long been pro-labor and three new appointments to be made will likely not change it.

NATURAL RESOURCES

There has been some talk that President Eisenhower might be less ardent for his partnership program since the election. Candidates in the Northwest who campaigned on a federal power platform won their elections. These include Senator Morse and Representative Green in Oregon, Senator Magnuson in Washington, and Representative Plost in Idaho. A few of the Republican supporters of the Eisenhower partnership policy lost. The overwhelming vote he received, however, even in the areas where Congress won on the federal power issue, make it less likely that he will change his views on this subject.

There will be few changes on the congressional committees that deal with federal power. The one or two vacancies will undoubtedly be filled by proponents of federal power, but the lineup will be much the same as before.

POSTAL RATES

With the postal deficit currently running at a \$600 million a year rate, or nearly \$2 million each working day, the Administration undoubtedly will continue to press for rate increases next session as it has

in the past. The House Committee on Post Office and Civil Service approved a bill in 1956 calling for a schedule of increases and for a policy on postal rates which was passed by the House.

On the Senate side, the Committee on Post Office and Civil Service held only brief hearings.

The House committee is expected to take the question up again early in the new Congress. What action the Senate committee will take is not clear although it seems probable that it will face the question of what to do with the huge postal deficit early in the session.

TAXATION

The corporate normal tax rate and certain excise rates are scheduled to drop to pre-Korean levels next April 1. This will cause a great deal of discussion of our tax system early in the next session.

Congress probably will continue the 52 per cent combined rate—and in the process may do a number of other things.

Both parties promised relief to small business.

The report of the Cabinet Committee on Small Business gives a preliminary blueprint of proposed actions.

The President, both of the party platforms, and a number of influential members of Congress have endorsed many of these recommendations, particularly that asking for reduction of the corporate normal tax from 30 per cent to 20 per cent on the first \$25,000 of corporate income. This will probably be adopted if even a small surplus is predicted in the 1958 budget.

The Mills subcommittee of Ways and Means is already considering technical errors in the 1954 code and special privilege provisions known as loopholes.

An increase in personal exemptions will be discussed but will take second place.



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CREATIVITY

continued from page 35

talent, ingenuity, and different approaches," Mr. Anderson says. "The best salesmen create devices that help in selling."

With outside help from psychologists and other experts, AC developed its creative aptitude test in five parts. It runs for one hour and 20 minutes and is based on five characteristics common to creative persons. The test measures only quantity and uniqueness of ideas; it was found impossible to measure quality.

Quantity is measured by the total number of relevant, independent ideas; uniqueness by points based on the infrequency with which each idea has been given. Answers which appear least frequently are given the most points.

The test dwells on these five assumed characteristics of a creative person:

1. He has imagination. The person being tested is asked to list possible consequences of five different situations. In one, for instance, the mail from a postman's bag has gone down a sewer and cannot be recovered.

2. He is able to suggest unique ideas in ridiculous situations. The person taking the test is asked to give as many explanations as he can of five ridiculous statements which he must assume to be true. One concerns the bone structure of babies born in certain months.

3. He is relatively dissatisfied with common devices and has ideas for improving them. The subject is asked to list all the things that are wrong with five common appliances or how they could be improved; the dial telephone, for instance.

4. He is adept at solving unique problems which he has never experienced. The subject is given five problem situations and asked to give the least expensive and least time-consuming solution. One involves an air force pilot with the problem of obtaining samples of air at five different altitudes.

5. He is able to visualize new uses for existing objects. The subject is given five simple objects commonly found in most homes and asked to list all the possible uses, real and imaginary, to which the objects might be put; a pencil, for instance.

Placement

The tests enable AC management to discover existing and potential

creative talent and take the next step: Make better use of the talent. On the basis of test ratings, the work force is redistributed to minimize any imbalance in creative talent and some workers' job assignments are changed to utilize creative ability more effectively. The tests also serve as a guide in placing new employees. Should a newly hired engineer, for instance, be assigned to development or to routine test work? His creativity rating helps decide.

It can be expensive to have an uncreative mind in a position requiring great creative talent. Mr. Anderson tells of one misfit discovered in AC.

The company was developing a new process involving a new line of special equipment for manufacturing a major product in an entirely different way. Some bugs developed which they could not seem to take out. In desperation, the chief process engineer brought a group of people who knew nothing about the problem together with those who had been struggling with it. He instructed all of them to study the matter individually for two weeks and come up with a solution.

Each of them brought in a solution except one man—the man who had supervised the entire project.

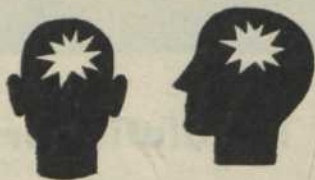
"We were amazed," Mr. Anderson relates. "But later, when we put this man through the test we found that his creativity was very low. Yet he managed to achieve for himself a position of supervision and direction of work in a creative department."

"It is important that we know how our creative people are distributed and how much creative ability people have who are engaged in creative work," Mr. Anderson says.

"We suffer an economic loss by having unimaginative or uncreative people trying to do or trying to supervise creative work. Loss can also result when creative people are put in jobs that bore them. They often appear to be poor workers."

Mr. Anderson tells of a college graduate who couldn't seem to rise above foreman. When promotions opened up, he was not recommended because of his negative attitude. When put through the creative aptitude test this man stood second among a large group. He was transferred to a department where he could use his creative talent. His attitude changed and he started to move ahead.

Another example is what Mr. Anderson calls the "amazing" case of a man who is now designing



PSYCHOLOGICAL counseling can help to increase creativity, in the opinion of Dr. John M. Shlien of the University of Chicago Counseling Center. Some of his views:

- ▶ The creative person looks forward, believes something really new could emerge.
- ▶ His thought exceeds obvious boundaries of a problem.
- ▶ He has confidence, is willing to be different.
- ▶ It is not true that you have to suffer deprivation to be creative, or that pressure will force creative effort as in the saying, "Necessity is the mother of invention."

IN INDUSTRY, applied creativity will likely have to spread from the top because:

1. This is the level at which conditions exist for the development, recognition and reward of creative action.
2. Talent for executive levels seems hardest to supply, so it must be enhanced in quality.
3. Top management sets the tone of action for those below. Creative output depends heavily on the atmosphere that only a creative executive can establish.

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CREATIVITY *continued*

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Training

After employees are properly placed so that there are as few as possible square pegs in round holes, the training phase begins. Training thus far has been on how to be more creative. A training program on how to supervise so as to get the maximum creativeness out of employees is being set up on the basis of certain principles of supervision which are believed to stimulate creativeness.

The first training seminars were given by Prof. John Arnold of Massachusetts Institute of Technology to a pilot group of 15 top members of the AC staff. Now the seminars are given by employees who have taken the training themselves, using much of Professor Arnold's material. Professor Arnold, Dr. Robert K. Burns of the University of Chicago Industrial Relations Center, and other outside experts helped develop the training method and are used as consultants in trying to perfect the over-all program.

Objectives of the 11 two-hour seminars are first, to help the participants learn a new attitude toward the importance of creativity; second, give them greater confidence in their own creative ability, and third, provide tools and procedures for getting ideas and solving problems.

Training material comes from four sources: the pilot seminars conducted by Professor Arnold; a book, "Applied Imagination," by Alex F. Osborn; a selected list of other references on creativity and problem solving, and from material developed by AC itself.

The seminars cover these areas: Explanation of creativity and its importance in all phases of the company's operations; description of general aids to creative effort (observation, concentration, questioning attitude, etc.) and of attitudes and habits which block maximum creative effort; explanation of the problem solving process; description of checklists and other devices for getting ideas; explanation of group problem solving techniques, such as the multiple approach and brainstorming; and a presentation on the role of the supervisor in stimulating

maximum creativeness among his employees (do's and don'ts).

The AC experience in training has eliminated, to Mr. Anderson's satisfaction, any doubt that existed in the beginning on the possibility of improving creativity through training.

Different tests given at AC before and after training show how much a person's creativity has been improved. In a group of 39 engineers, ideas increased from an average of 82 before training to an average of 116 after, an increase of 41 per cent.

The before-and-after tests also indicate that persons with the least ability to produce ideas improve the most through training. Among the same 39 engineers, the more creative group, with an average of 106 ideas each before training, increased their output to an average of 133 ideas, an increase of 25 per cent. The less creative group, with an average of 60 ideas before training, increased their average to 100, or 67 per cent.

AC concludes that training helps because too many people use only a part of their creative ability in their daily work. In time, this causes creative ability to become inactive and dormant.

"When it is stimulated by proper training," according to Mr. Anderson, "this ability is reactivated and becomes much more potent."

Supervision

Effective supervision of creative employees requires understanding the nature of creative persons and the deterrents imposed by supervision.

AC found that creative people themselves cause some problems.

► They resent ideas from people who do not know much about the field.

► They don't like to submit to regulations. (One engineer threatened to resign when, during a campaign against tardiness, he was asked to sign a slip for being 15 minutes late.)

► They tend to criticize each other's ideas; brilliant engineers especially do this. (Probably from an unconscious urge to want to produce a better idea.)

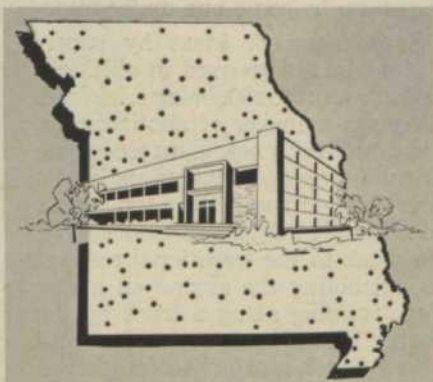
► They are loose organizers, go off on fancy tangents.

► They have a tendency to make suggestions in fields where they have meager knowledge then become upset when their ideas must be rejected. (The creative individual feels he can solve the ills of any field, be it economics, medicine, engineering or whatever.)

► They are poor finishers of ideas, lose interest quickly.

► They like to keep changing an

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idea, never release it as final. (A former machine designer had to be kept out of the plant on a week end so that a group of mechanics could finish up a number of machines so they could be used in production on Monday.)

These are some common deterrents to creativity AC finds in supervision:

- ▶ A supervisor who fears being shown up by some one under him.
- ▶ Suppression of ideas by supervisors who are grooved in old ideas or don't want to risk being criticized. (A plant manager of another company building a new plant for engine assembly rejected a young engineer's novel idea of assembling the engine on a hangar suspended from above. He stuck to the traditional method of assembling the engine on a carriage running along a track on the floor. "We older men knew it would work." Later, a principal competitor built a plant utilizing the young engineer's idea, found it successful.)
- ▶ Having rules governing hours of work and use of time. Businesses can't be run without them but they create problems in handling inventive individuals who may want to work all night on a hot idea and stay home the next day.
- ▶ Poor understanding by supervisors of creative people.

When Mr. Anderson visited the plant he made it a point to see a particular engineer who was always coming up with new suggestions and liked to show him his newest one. One day, Mr. Anderson didn't find him at his usual place and asked his supervisor where he was.

"John better quit thinking up new

ideas and start finishing up some of his old ones," the supervisor said.

Here was an example, to Mr. Anderson, of improper understanding and improper supervision. A man capable of producing ideas should be kept doing just that; the ideas can be turned over to others to finish.

AC has come up with this set of guides for supervisors in bringing out the maximum creativeness in people:

- ▶ Build up an atmosphere which encourages new ideas and changes.
- ▶ Design a positive approach to stimulate creativity in each individual.
- ▶ Be a good listener.
- ▶ Give commendation and recognition for new ideas when deserved.
- ▶ Actively support and encourage creative activities, help maintain interest in worth-while ideas.
- ▶ Maintain effective communication within the department and with other departments.
- ▶ Be fair in considering ideas.

For the highly creative person, the supervisor should:

- ▶ Keep routine work away from him.
- ▶ Have several problems waiting ahead. This way, he keeps thinking of the new jobs and tries to finish the old ones.
- ▶ Know when to take a problem away. This requires great skill and judgment by the supervisor. Take the problem away when the worker is losing interest or when his changes are postponing too long the completion of the idea.
- ▶ Give the creative worker a proper environment in which he can try out his ideas without too much difficulty and which is conducive to study and work.
- ▶ Let him know when ideas are

wanted in connection with particular products or problems. AC writes such information on a blackboard. (Talking with some engineers working on military electronics, Mr. Anderson said he presumed they were thinking up a lot of ways to adapt some of the electronic devices they had developed for use on autos or other civilian products. "No," they said. "Nobody told us to.")

Mr. Anderson cites some additional requirements of an effective creativity program from the management's standpoint:

- ▶ Have a yardstick for measuring how much creative work is being done and establish goals. Each AC department is given a percentage goal of how much it is expected to reduce standard hours required to do the work each year.
- ▶ Have brainstorming committees for each department. They are made up of selected people who apply to a problem as many ideas as they can think of.
- ▶ Use a multiple approach to a problem; tackling a problem several ways helps assure success. AC engineers design two or three machines to do the same work.
- ▶ Establish creative classifications that recognize creative talent, so that creative persons can make progress salarywise and be promoted without having to become managers. Don't make a poor manager out of a good creator. General Motors has established classifications through which it can pay creative persons more than managers if necessary. There is no ceiling in pay.
- ▶ Recognize high creativity in other ways. AC has a Management Improvement Proposal Plan under which workers are given point credits on their employment record for ideas submitted. Points range from 10 to 200 per idea. One hundred points a year has been established as the goal for each supervisor. Point scores are useful in considering promotions and salary increases.

One of the major problems in creativity is how to keep people creative as they grow older and tend to become grooved. AC's approach to this now is through refresher courses, giving the same training material in a different way.

"The human mind," Mr. Anderson says, "forgets very quickly." **END**

CARE OF THE HIGHLY CREATIVE

AC has evolved some guides for supervisors in dealing with the highly creative person. They include these:



Keep routine work away.

Have several problems waiting ahead.

Know when to take a problem away.



Give him proper environment.

Let him know when ideas are needed on specific problems.



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SMALL BUSINESS

continued from page 41

But the heavy burden of taxes nowadays sharply reduces the ability of small enterprises to plough profits back into their businesses."

That problem is proportional to business of any size.

The most dramatic and costly of the schemes being discussed to give tax relief to small business would change the corporate tax rate.

At present, the corporate tax rate is 30 per cent on the first \$25,000 of corporate earnings and 52 per cent on the rest. The Cabinet Committee proposes that the tax on the first \$25,000 be cut to 20 per cent—a one-third tax cut for corporations with less than \$25,000 of earnings. The Committee would not change the rate on earnings more than \$25,000. Its report noted that "while taxes on all corporate businesses should in time be lowered," the recommended cut "would help the smaller firms retain earnings for financing expansion, or would give them some advantage in pricing," and would "generally encourage the formation of new businesses."

Some Democrats subscribe to the idea of reductions in the lower corporate tax bracket, but would go about it slightly differently. Senator Fulbright of Arkansas and some of his colleagues last year pushed a proposal to cut the rate to 22 per cent on the first \$25,000 and make it 52 per cent or 53 per cent on the rest. Representative Patman has proposed a corporate rate of 22 per cent for firms earning less than \$100,000, and from 30 per cent up for larger firms, to a top of 67 per cent for companies making more than \$1 billion. Senate Small Business Committee Chairman Sparkman of Alabama is pushing a plan that would make the corporate income tax range from 5 per cent on the first \$5,000 of taxable income on up to 55 per cent on income more than \$100,000.

These proposals run into several problems. For one thing, if the rate in the lower brackets were cut without compensating increases in the upper brackets, the immediate revenue loss to the Treasury would be sizable. The rate cut proposed by the Cabinet Committee, for example, would cost some \$400 million the first year.

Treasury officials, not represented on the Cabinet Committee, are not only unhappy over the possible revenue loss but also privately emphasize that the cut would not help unincorporated small businesses. The Treasury and some House

Democrats feel that the way to give tax help to small business is through some relatively inexpensive technical changes now, and eventually through reduction in the individual income tax rates.

The Cabinet Committee listed these other tax changes as desirable:

1 Businesses should be permitted to use, on limited amounts of used property, the fast depreciation methods authorized in 1954 for new equipment. It pointed out that small businesses, because of capital limitations, often begin operations by buying used buildings and equipment, and so would benefit especially from this change.

2 Corporations with 10 or fewer stockholders should be given the right to be taxed as though they were partnerships. This, the Committee said, would permit small businesses to take advantage of the corporation's limited liability while avoiding the corporate taxes.

3 Estate taxes should be spread over a 10 year period if the estate consists largely of investments in closely held business corporations. At present, the committee observed, the need to pay a heavy estate tax on the death of the owner frequently leads to "the disruption of the management, control and operations of small businesses," and contributes to many mergers. The law now permits the government to defer estate taxes up to 10 years, but only in cases of hardship.

Treasury officials have been studying these and other suggestions, some coming from congressional Democrats. For example, one sug-

gestion is that small businesses be permitted to use capital losses to offset more ordinary income than now permitted. But the Treasury is always mindful of the cost of these proposals. The price tag on the entire Cabinet Committee tax package would be about \$600 million the first year and about \$740 million the second year.

Nonetheless, the President will almost certainly mention special tax relief for small business in his messages to Congress this month. Congress will probably do something. The question is just how far the Administration and Congress will go.

Small businesses would also share the benefits from a comprehensive revision now being planned in Congress for the excise tax laws. A House Ways and Means subcommittee has been laboring more than a year on ways to simplify and clarify the levying of federal excise taxes, and is ready to report a far-reaching bill that will not only do much on the technical and administrative level but may also reduce some excise tax rates.

Credit

SBA, the agency set up three years ago to shepherd the government's programs for small firms, most likely will be extended beyond the present expiration date of June 30, 1957. The Cabinet Committee recommended this, Congress would have done it anyhow, and the only question is for how long and with what new powers.

Since it began lending money to small businesses on Oct. 1, 1953,

In addition to six major parts of small business legislative program, administration is also expected to ask:

- ▶ Federal control over all bank mergers.
- ▶ Power for the Attorney General to issue a "civil investigative demand" to obtain documents prior to the filing of a civil antitrust complaint.
- ▶ Power for the FTC to seek a temporary injunction to block a proposed merger.
- ▶ Authority for the federal government to take action against mergers if either party is in interstate commerce.
- ▶ Final authority for FTC cease and desist orders, unless appealed to the courts.



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SMALL BUSINESS

continued

SBA has approved more than 4,500 business loans for more than \$204 million. This includes loans in which SBA shares the risk with private banks, as well as those made exclusively by the agency. The total does not include \$54.5 million of so-called disaster loans.

The rate of SBA lending has increased steadily, and at present the \$175 million loan revolving fund is being depleted about \$7.5 million a month.

Since on Dec. 1 only about \$33 million remained in the fund, Congress is likely to be asked early to grant the agency another \$25 million or \$30 million to carry it through June 30. Then, when Congress extends the agency's life, more lending authority will be needed again.

SBA has also been steadily widening its lending scope. It recently began making special loans designed especially to help retailers, wholesalers, and service firms which have little in the way of tangible collateral. If they can convince a local bank that their earnings record, management and other history warrants a loan in which the bank is willing to take a 25 per cent or greater share, the government will participate up to 75 per cent or \$15,000, whichever is less.

Another recent development saw the agency agree to consider loan applications from trucking firms doing up to \$5 million of business annually; the ceiling previously had been \$2 million. Still another was to grant loans for the first time to indoor theaters, on the theory that they contribute to the economic health of their communities. SBA is now considering a request to lend money to drive-ins, too.

Many congressmen feel that credit for small business should be made available through government action. Proposals are likely not only to relax still further the standards for SBA loans but also to establish other types of government lending activity.

There'll also be a new effort to get congressional action on an old administration proposal which has in the past received Senate approval but House rejection. This proposal, recommended anew by the Cabinet Committee, would boost to \$500,000 from the present \$300,000 the maximum amount of corporate securities that can be exempted from the registration requirements of the Securities and Exchange Commission. Backers of this proposal say it would relieve many small and medium-

sized businesses of the legal, engineering and accounting costs involved in an SEC registration statement.

Procurement

"The federal government has become by far the largest single purchaser of the goods and services produced by our private economy," the Cabinet Committee observed. Republicans and Democrats agree that this fact underscores the need to give small business a fair break in supplying the military and civilian needs of the government.

Congressional leaders promise to do their best to see that small business firms get more government orders in the future. An August report of the Senate Small Business Committee said that the Defense Department in 1954 had given small companies 74.2 per cent of the business it had labeled "suitable" for small firms, but in 1956 only 63.8 per cent. Senators and representatives generally feel that legislation is not required in this field but that there must be constant prodding of the Defense Department, General Services Administration and other government buying agencies.

SBA has been working to step up government orders for small firms. Several weeks ago, Mr. Barnes announced that his agency, in cooperation with government buying departments, had set aside \$1.25 billion worth of orders for exclusive competitive award to small firms between Aug. 1, 1953 and Sept. 30, 1956. This amount was in addition to other contracts won by small companies in competition with larger ones under normal contract procedures. Congressional critics minimize the figure, however, saying that a good many of the set-aside orders were of a type that only small firms could have handled.

SBA has also been carrying on opportunity conferences designed to inform small business firms of the opportunities for selling to the government. More than 20,000 businessmen have attended.

The Cabinet Committee report admitted that much government buying consists of "intricate and expensive military items which cannot be efficiently produced by small firms, except for parts or components on a subcontracting basis." Nonetheless, it said, more could be done. Variations in procurement procedures from one agency to another, or even within agencies, are often confusing to small business, it declared. The report recommended, and the President has ordered, a comprehensive review of the procurement policies of

all government agencies, aimed at "facilitating and extending the participation of small business in work on government contracts."

Action also seems imminent to channel more government research and development contracts to small business. Recent reports by the House Small Business Committee and by Attorney General Brownell have warned of dangers to the economy from giving too much government research work to big business.

Smaller firms will almost certainly benefit, too, from a brand-new government directive with respect to progress payments. The directive, stemming from the Cabinet Committee report, instructs procurement agencies to make sure that the need for advance payments or progress payments does not count against the bidder for any government contract, and also orders steps to speed up progress payments to contracting firms needing them.

Technical assistance

SBA has been steadily expanding its program of helping small firms improve their management, find suitable new products and otherwise strengthen their competitive positions. It offers dozens of self-help booklets, free or at nominal cost, on subjects ranging from "Surveying and Controlling Executives' Time" to "Selecting the Right Tool Steel." It provides a federal government purchasing directory, "Who Buys What and Where," and a monthly products report designed to provide information on new and improved products and processes which might help companies desiring to expand or diversify their operations. It invites small businessmen to bring their problems to any of the 15 regional or 25 branch SBA offices scattered across the country and in Alaska, Hawaii and Puerto Rico.

SBA is encouraging educational institutions to offer more management courses tailored to small business owners and managers. Since the spring of 1954, 157 of these courses have been conducted in 70 schools, with more than 4,300 businessmen attending.

The Senate Small Business Committee is prodding the agency to expand these technical assistance activities, however, pointing out that SBA still spent only about \$100,000 on this type of work last year.

President Eisenhower, acting in response to one of the Cabinet Committee's recommendations, has called a conference on technical research, development and distribution to aid small firms. This conference, expected to start early this

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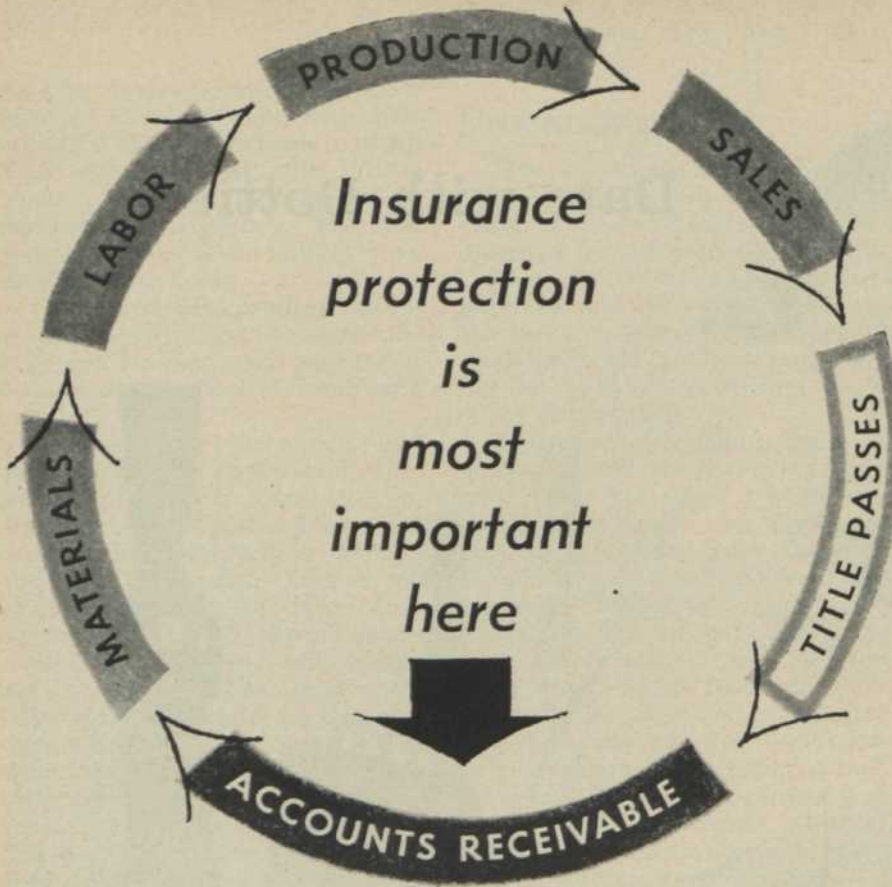
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year, will assess research and development aids currently available to small companies from the federal government, from state and private universities and from other agencies. It will be asked to recommend ways to enlarge this type of assistance.

"We aren't interested in subsidizing poor management," Mr. Barnes insists. "When we find it, we point it out and help the businessman fix it up." SBA says the need for this type of fix-up help is underlined by Dun & Bradstreet figures that more than nine out of 10 business failures are due to "incompetence plus unbalanced experience, lack of managerial experience and lack of experience in the line."

Competition

The Justice Department is serving notice that it will ask Congress this year to approve some major anti-trust changes aimed at protecting small business still further. These changes have been endorsed by the Cabinet Committee, and will likely meet a cordial reception in Congress.

Topping the legislative list is the premerger notification bill, which would require large firms planning to merge to give advance notice to the Justice Department and Federal Trade Commission. They would have to supply the government with information on their plans and on the probable impact on their industry, and then wait 90 days while the government decides whether to take action to block the merger. This bill was passed by the House this year, but got lost in the Senate rush to adjourn. Starting earlier in the new Congress, its chances of passage are enhanced.

Other items expected to be on the Administration's legislative program are these:

- Federal control over all bank mergers. Now only bank mergers resulting from stock purchases are subject to federal jurisdiction; those taking place through the acquisition of assets are not.

- Power for the Attorney General to issue a "civil investigative demand" compelling the production of documents prior to the filing of a civil antitrust complaint. Now the government can get these documents during the investigating stages of an antitrust action only through a formal grand jury proceeding.

- Power for the FTC to seek a temporary injunction to block a proposed merger. At present, the Com-

mission must file a formal complaint and carry on an administrative proceeding before it can get such an injunction.

► Authority for the federal government to take action against mergers if either party is in interstate commerce. Now the government can't act if the acquired party is not engaged in interstate commerce.

► Final authority for FTC cease and desist orders, unless appealed to the courts. Right now, these orders must be followed up by the Commission in a second enforcement action in order to get a court order commanding obedience, and a firm becomes subject to penalty only if it violates the law a third time. Making the original orders final would permit immediate penalties.

Some small business groups have also served notice they'll fight again this coming Congress for the so-called equality of opportunity bill. This bill, generally opposed by the Administration, passed the House late in the past session and died on the Senate calendar.

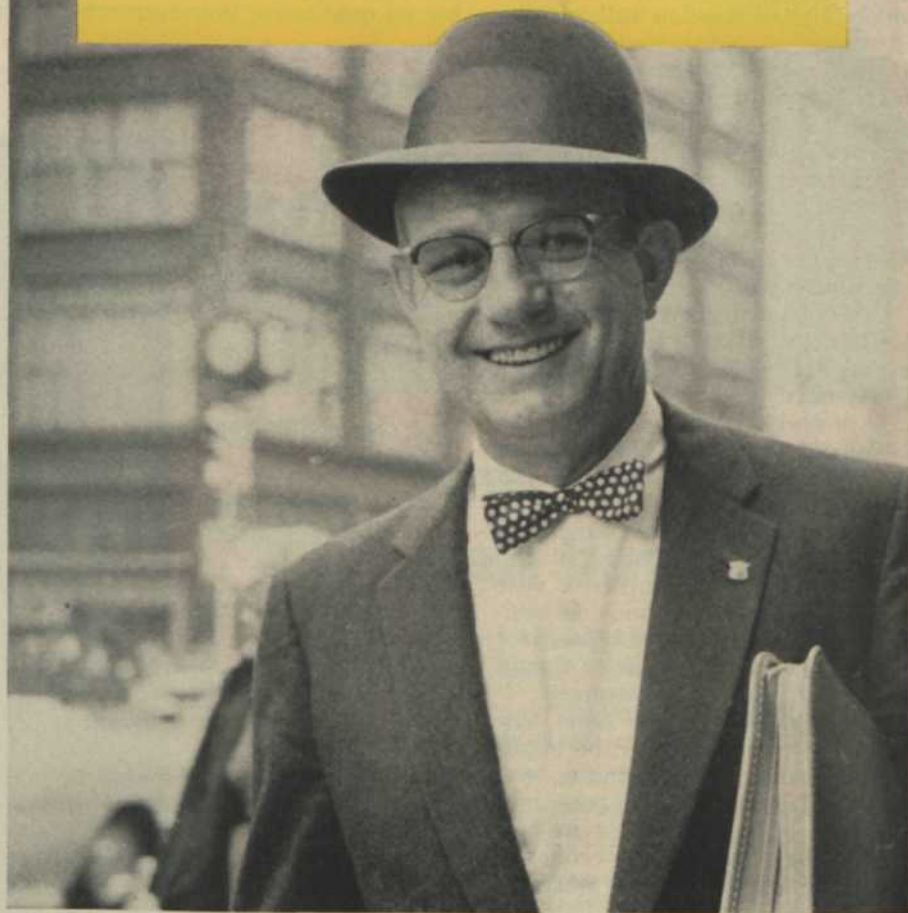
It would limit the good faith defense in charges of price discrimination. The Supreme Court has held that a seller who gives one firm a lower price than he gives another can defend himself against charges of illegal price discrimination by showing that he had to give the first firm the lower price in order to meet a price quoted by a competing seller. Backers of the equality of opportunity bill want the law to say that this good faith defense won't hold water where the price discrimination practiced by the seller had the effect of injuring competition or tending toward monopoly among the purchasers. The bill's sponsors say this protection is vital.

Paper work

The Cabinet Committee has urged the Budget Bureau to undertake a comprehensive review of reports and statistics required from small business. It says this review should be aimed both at providing better statistics on the economic position of small business and at reducing the number of forms and questionnaires that small companies must file.

The Administration is also expected to renew its recommendation that Congress authorize businessmen to skip the quarterly reports to the Social Security Administration on the earnings of their employees. Instead, the yearly report required to show income tax withholding would be used for the Social Security files as well.—CHARLES B. SEIB

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RED ECONOMISTS

continued from page 27

wear. But they insist that the long run picture will make it possible to raise living standards more.

I asked whether this high rate of investment would taper off once Russia becomes more developed. This has been the case in the United States and other advanced countries.

Mr. Kronrod, perhaps the most widely quoted Russian authority on investment, stated emphatically that the high rate of investment will continue indefinitely. At that point he acknowledged familiarity with recent studies of the National Bureau of Economic Research in the United States which show that the productivity of capital actually increases as the economy becomes more developed.

Under the theory additions to capital stock result in greater increases in output than such increases would have produced at an earlier stage of development.

This is a significant finding which we have been discussing in the United States for two or three years. For example, at hearings of the Subcommittee on Tax Policy of the Joint Economic Committee a year ago, some of the academic and business witnesses used it as a basis for suggestions that tax policies should encourage increased investment.

Labor economists and other witnesses, however, felt that the implication of this research finding was that we should stimulate consumption, not only as the best way of stimulating continued economic growth but also in order to make the benefits of increased capital efficiency available to the consumers as soon as possible.

The Russian economists seemed aware of this debate in the United States. They found nothing unusual in the fact they were on the side of the "capitalists" in this discussion.

They indicated that their industrial production is increasing at a high rate. They used the figure of 10 to 12 per cent a year. Western estimates, including those of our committee staff, are considerably under that. For example, we believe that during the 1948-55 period the annual rate of growth in Russia was about seven per cent, as compared with four per cent in the United States. During the 1920's, when the United States experienced one of its most rapid growth periods, our rate of growth exceeded six per cent, not significantly different from the current Russian rate of growth.

I asked them if they expected this high rate of growth to continue indefinitely. They are confident it will.

When it was pointed out that the growth rate was in fact less in their current five-year plan than in the preceding one, Mr. Kronrod emphasized that different five-year plans concentrated on different major tasks. The growth rate, he insisted, varied from plan to plan, but the general growth rate would continue in the order of 10 to 12 per cent annually. The current (sixth) five-year plan, he stated, was concentrating on qualitative improvements in

pay greater attention to such factors. Western hopes and expectations are that as consumers in the communist economies get their foot in the door and become educated to improved levels of living, they will, through one means or another, see to it that they get a larger share of the increased production. Thus the relative proportions going to investment and the rate of growth itself may tend to decline. The Russians are confident that they can improve liv-

HOW PRODUCTION COMPARES

1955 output	Russia*	U.S.	Per cent of U.S. output
Steel (tons)	50 million	117 million	43%
Coal (tons)	431 million	495 million	87% †
Crude Oil (tons)	78 million	369 million	21%
Electric Power (kilowatt-hours)	170 billion	625 billion	27%
Autos, trucks	445,000	9.2 million	4.9%
Leather shoes & slippers	275 million	577 million	48%
Radios & TV sets	4 million	14.5 million (radios) 7.8 million (TV sets)	18%
Household washing machines	87,000	4.4 million	2%
Slaughtered weight of meat, including lard (tons)	4.4 million	14.8 million	30%

*From U.S.S.R. sources

†When fuel content is measured by U. S. standards, Russian coal output is equal to about 342 million tons.

the economy, complex and improved mechanization, automation, specialization and improved technical training.

This point of view was seconded by Mr. Ostrovtyanov in another connection when he said that previous plans had been "administrative" and the current plan would be more "economic." By this he seemed to mean that previous plans had aimed at quantitative growth without much regard for cost factors and careful coordination within the plan for efficiency of production, whereas the current and future plans would

ing standards in a controlled way and still continue to emphasize investment at the expense of current consumption. Consumption is controlled but, unlike the U. S., actually is discouraged by a variety of mechanisms. For example, consumer credit is viewed as a capitalistic trick to subjugate the workers. So it is not allowed, as it would be a stimulus to consumption which would interfere with investment goals.

According to our best estimate, Russia's gross national product last year was about 1,086 million rubles, a figure which cannot be compared

exactly with our gross national product of \$390 billion for the same period. But it is clear that their GNP in real terms is no more than a third of our GNP. I think this guess gives them the benefit of the doubt.

It is significant that while their rate of growth currently may be a little higher than ours, we are experiencing a greater growth in absolute terms than the Russians. Comparing very roughly, if you apply seven per cent to their figure you get an annual increment of approximately \$10 billion, whereas if you apply four per cent to our GNP of \$400 billion you get an increment of \$16 billion. We can't be complacent in these figures, however, since the dictators in Moscow can do what they want with the increment, while in our country the individual at the marketplace and at the ballot box decides whether it should be devoted to civilian or military uses, foreign or domestic, consumption or investment.

I asked them how they resolved conflicts among themselves, in, for example, allocating goods and services. They were emphatic that there need be no differences of opinion among technicians when latest scientific methods are used.

I told them that I couldn't accept that and I didn't see how they, as intellectuals, could expect me to believe it. We know that conflict is the essence of scientific method and human relations. I told them, "Let's assume for a moment that you all agree as to how something should be done. How do you convince the people on the street that your formulas come out best for them? Don't they have a voice in the matter?"

"Oh, they have a voice in the matter," they said emphatically. "But through years of experience the people have come to have complete confidence in our methods so that there is no public dissent."

If I were there now I would ask them if that was true in Hungary and Poland.

Later, at the Bangkok meeting, the Russian delegates continually emphasized the advanced development of their techniques, the multiple correlations, the most involved econometric models, but they would not go beyond that in spelling out exactly how they proceed. Questions designed to obtain more detailed information were ruled out of order by the Bureau Chairman.

At various points in our discussion in Moscow, the communist economists tried to bait me with statements and questions that reflected the party line and which were obviously calculated to put me on the defensive. For example, I



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RED ECONOMISTS

continued

asked if defense expenditures account for a sizable portion of their industrial growth. They flared back at me with the charge that they have been disarming rapidly, dropping 800,000 men from their armed forces in the past year while the United States has remained what they call an "armed camp."

I took pains to point out that they were wrong, that they are demobilizing just 10 years after we had, and that we reviewed our demobilized status only after the aggression in Korea made clear the imperialistic threat of the communist system. I said that today we have but 2.8 million men in our armed forces. When I asked them how many they have, they avoided answering the question.

Likewise they ducked questions as to what percentage of their total production is going into defense—this after I had told them that we are devoting not more than 10 per cent of our production to defense.

They would not face up to these questions. But informed western estimates are that the Russians are devoting at least 15 per cent of their production to defense. It also is estimated that they have nearly twice as many men in their armed forces as we have and that last year's demobilization was made necessary because of severe manpower shortages.

During our discussion, the Academy economists went out of their way to tell about their recent discoveries of the economics of the division of labor. By that they meant, as they put it, that Poland would produce what she can most economically produce, with Czechoslovakia, Russia, China doing the same and then trading with one another.

This is a recent development. Under the old Lenin-Stalin program each unit tended to produce everything itself and exports were based on what was needed for imports. That was a kind of isolationism. Now they have apparently discovered the *laissez faire* economies of the division of labor and comparative advantage.

Next the economists emphasized economies in decentralizing planning.

I think it is important to recognize those two trends in the system. Actually they are not discoveries. Both of these points, particularly the division of labor, were the keystone of Adam Smith's "Wealth of Nations" published in 1776. Incidentally, this laid the groundwork for the overthrow of mercantilism with its detailed government con-

trols and for the whole free trade movement of the 19th Century.

When I suggested this, Mr. Ostrovtyanov said, "Oh, no, Adam Smith talked about the division of labor only in terms of a given plant. He had no concept of the economics of trade between and among nations." I told them to reread Adam Smith!

I tried to find out how far they carried local initiative. In one sentence I used the word private initiative. They kept agreeing with me. Finally my colleague from the Embassy said to them, "I think you have gotten the translation wrong. You are not willing to grant the advantages of private initiative, are you?"

"Oh, no," they said, "we didn't mean private initiative."

So they were quick to withdraw any appearance of agreeing that there was any merit of carrying decentralization to that point, but they clearly do see the need for greater flexibility in planning and executing programs.

They pointed out inducements they are giving for increases in productivity. In other words, it's almost a profit motive. Local managers are induced to produce more and to meet or exceed quotas—even to help determine what the quotas are in the first place. Much of labor is on a piece basis, again to stimulate production—a far cry from Marx's doctrine of "from each according to his ability, to each according to his need."

Mr. Nemchinov spoke of the youth who are migrating to the new industrial regions behind the Urals in response to "moral stimuli." Mr. Kronrod pointed out that there were significant differences of wages in various zones and that wages were higher in the east. They spoke repeatedly of inducements to achieve labor mobility "voluntarily." Their emphasis on this suggests a guilty conscience since we know that in the Soviet economy the stick is still as important as the carrot in providing labor mobility.

The emerging Russian economic system is certainly not capitalism. But it is quite different from making all the detailed plans in Moscow and then using a whip to make sure that in each area and in each industry those quotas are achieved.

Although the Russians boast to the outside world—particularly the underdeveloped countries—that they have perfected their methods of planning and controlling economic development, the Academy economists were frank in admitting to me that, at the Academy, they are currently pursuing research projects to

find more scientific bases for planning operations.

The list of projects included ascertaining the prospects of economic growth in the next 10 to 15 years, measuring the effectiveness of capital investment, determining the productivity of labor, and establishing basic norms for construction. More research attention is being given to incentives, price policy, the wage system, and cost accounting.

In my visit to Russia I tried to evaluate the results of the Soviet allocation of resources to determine if they are getting as good results as we, using our free enterprise system. In other words, would the communist allocation of resources match the standards set by the market in a free economy?

My impression is it would not.

This was evident in a number of ways but most noticeable in air transport. On the flight between Moscow and Tashkent—on the way to Kabul and New Delhi—we stopped at several airports with bumpy dirt runways. There were no seat belts on the Russian planes, no "No smoking" signs. It was an austere experience to say the least. At one such airport in central Asia there was a terminal building surrounded by spacious grounds and all enclosed by a steel and stone fence.

This was not a security or protective type of fence which would keep people out of the grounds. It was purely ornamental.

When I thought of the manpower and materials that had gone into that fence I thought to myself, "Now if this were the United States, with the same amount of resources going into the terminal, we would have taken that brick and steel and mortar and made one good runway."

Apparently some architect or engineer back in Moscow has the notion that an airfield has to have some such ornamental fence around it. That is the way in which they allocate their resources in building an airfield. The physical layout and methods for processing passengers at the great and relatively new airport in Moscow are maddening from the standpoint of efficiency.

It's in the area of the allocation of resources, I think, that the free world can find its greatest hope. Sooner or later the Russian collectivist system will have to be put to the test. In the world's market place it will fail.

I conclude that the communist threat is not so much economic as it is political and military. We must not relax our national policies calculated to counter Soviet imperialistic ambitions.

END

Why you can profit from a new plant in Puerto Rico without paying any income tax

By TEODORO MOSCOSO

Administrator of Economic Development, Commonwealth of Puerto Rico



TEODORO MOSCOSO

YOU HAVE probably heard about Puerto Rico's current effort to raise its standard of living. We call it "Operation Bootstrap."

But if you do not know the details, you should. For the Commonwealth Government is now offering U. S. manufacturers such extraordinary incentives that over 450 new factories have already been opened on this Caribbean island in the past five years.

However, before I reveal the details of our remarkable tax-free industrialization program, I do want to make two points of Commonwealth policy absolutely clear.

1. Puerto Rico has no intention of winning industries away from anywhere. Tax concessions are not granted to runaway plants.

2. We do not and never will hold out low wages as an attraction to business. Our Government's firm philosophy is that wages should rise, industry by industry, as profitability permits.

So much for our general aims and attitudes. Now for some details as they might affect you and your company.

100% tax freedom

Start a new plant in Puerto Rico and you are not only free from Federal in-

come taxes (they don't apply)—you can be exempt from *local* taxes too.

Your freedom from Federal taxes is *not* a concession. It stems from that historic American principle—no taxation without representation. Puerto Rico has no vote in Congress, therefore no Federal income taxes—corporate or personal.

As for your exemption from Puerto Rican income tax, this is an *added* incentive offered by the Commonwealth Government to attract the new industry that Puerto Rico's economy needs so urgently.

Constitutional guarantees

And here is another important point. Your business is protected by the Commonwealth Constitution and Courts—as well as by the law and Constitution of the United States.

To see how local tax concessions and complete freedom from Federal taxes might affect your own balance sheet, I earnestly draw your attention to the tax exemption tables shown below. I think you will agree the figures are impressive.

How about labor?

Puerto Rico's labor force totals about 650,000 of which close to 100,000 are still unemployed.

However, the Commonwealth is now operating an effective vocational training program, which will even screen

workers and teach them to operate your machines. The Puerto Rican worker's ability to learn new trades may be judged by some of the firms which have already started successful operations in Puerto Rico:

Union Carbide & Carbon, Remington Rand, St. Regis Paper, Beaunit Mills, International Latex, Carborundum Company, Shoe Corporation of America, United Drill and Tool, Sunbeam Electric, Univis Lens, Weston Electrical Instrument Company.

Remember, these companies and over four hundred more are now enjoying complete tax exemption in Puerto Rico. Surely, this is reason enough to investigate the whole project from *your* company's point of view.

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Dept. NB-71**

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Title _____

Company _____

Address _____

Product _____

Corporate Tax Exemption

If your net profit after U. S. Corporate Income Tax is:	Your net profit in Puerto Rico would be:
\$ 29,500	\$ 50,000
53,500	100,000
245,500	500,000
485,500	1,000,000

Dividend Tax Exemption*

If your income after U. S. Individual Income Tax is:	Your net income in Puerto Rico would be:
\$ 7,760	\$ 10,000
15,850	25,000
25,180	50,000
51,180	200,000

*Dividends are tax-free only if paid to residents of Puerto Rico by a tax-exempt corporation. Examples are based on Federal rates (Jan. 1, 1956) for single persons.

COURT MAY END MARKETING CONFUSION

Will the mere possibility of damage to a competitor be valid for a Trade-mark Act suit? Here are new developments

CASES NOW before lower courts may lead to a Supreme Court ruling that could have a far-reaching effect on the way in which you advertise your products and your business.

The cases, brought under the Trade-mark Act of 1946, involve damages charged as a result of misrepresentations of products or business identities.

In the past, aggrieved competitors have had to prove that misrepresentation was willful and actually damaging to them. The new cases point to a time when the complainant will have to prove only that the contested product or business is falsely or misleadingly advertised and that it is *likely* to hurt him.

This is something which vitally concerns every manufacturer, wholesaler and retailer who sells in interstate commerce. It represents one of the few revolutionary developments in business law in recent years.

The basis for the innovation is a brief clause which Congress enacted after World War II when it revised the Trade-mark Act of 1905. For years nobody paid much attention to it. Then, as the competitive boom of the 1950's came on, it was suddenly activated.

Today the clause has become the vortex of a legal whirlwind which seems unlikely to subside until settled by the high court, but there can be little doubt that the broad interpretation given to it in recent months by federal circuit courts of appeal portends a judicial crack-down on various practices of advertising and marketing.

Let's suppose that a manufacturer decides to bring out something which he calls "Titanium Sheet." There is really no titanium in the sheet, but another manufacturer is making sheets of a titanium alloy.

The latter may be able to stop the use of this description as well as collect damages for it.

The new trade-mark clause also applies to confusing the source of a product by geographic reference.

For years industry has been able to enlist the aid of the courts in stopping unethical or misleading practices *where specified damage is provable*. And the public has been similarly protected through the Federal Trade Commission.

But this new economic weapon does not necessarily depend on palpable loss of sales, patent infringement, monopolistic practices or any other actual commercial damage. It hinges on the threat of damage, rather than damage itself.

What will it mean to competitors?

Much depends on how the Supreme Court finally interprets this clause in the Trade-mark Act.

If the Supreme Court follows the more liberal of the circuit court holdings, the clause will be a powerful deterrent in the hands of any producer who feels, with reason, that he may be hurt commercially by competitive activity which he conceives to be fraudulent or misleading. He won't have to wait until he actually is hurt.

Here is what the clause in question, section 43(a) of the Trade-mark Act, says:

"Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same . . . shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin . . . or by

any person who believes that he is or is likely to be damaged by the use of any such false description or representation."

Until this clause was enacted by Congress, the only guideline to the misrepresentation issue was the ruling laid down by the Supreme Court in 1927 in the case brought by Ely-Norris Safe Co.

The ruling was at common law, i.e., was not based on a particular statute, and the gist of it was this:

In order for one businessman to win a suit from another on grounds of misrepresentation of product, the complainant had to prove his charge of unfair competition by, 1, showing some direct injury to his property rights and, 2, demonstrating that the injury was caused by the competitor offering its goods or services as those of the complainant.

Now the big question to be resolved is whether or not the clause in the 1946 act changes the law as laid down in the Ely-Norris decision. If so, to what extent?

Up to the present, four federal appeals courts have dealt with the matter. Technically their views are in conflict. But three of the four give strong evidence that the old law has been changed.

The first important case arose in California in 1951 when Columbia Pictures Corporation was sued by the trustees of the estate of Mark Twain. Columbia had made a movie called "Best Man Wins," based on the great author's story "The Celebrated Jumping Frog of Calaveras County" and advertised as "a story only Mark Twain could tell." The trustees charged that the movie had little resemblance to "The Celebrated Jumping Frog," was an inferior product, and that since Twain had never written a story called "Best Man Wins" the movie might prove damaging to the estate firm claiming ownership of the "Mark Twain" trade name.

Emphasis was put on the new clause of the 1946 act by the trustees, but the federal appeals court in San Francisco refused to recognize it.

In 1954 the matter came up again in a scrap between two Pennsylvania dressmakers. One producer had been marketing a distinctively styled medium-quality dress at \$17.95. The second dressmaker then began making, advertising and selling a much cheaper dress, notably different in appearance, for \$6.95. In the ads used to promote the \$6.95 dress, however, a picture of the plaintiff's \$17.95 dress was being employed.

This time the federal appeals court in Philadelphia took a view of the 1946 act clause that was diametrical-

ly opposed to the earlier decision in the Mark Twain case.

"We find nothing in the history of the Trade-mark Act," the court said, "to justify the view that this section is merely declarative of existing law. . . . Congress has defined a statutory civil wrong of false representation of goods in commerce and has given a broad class of suitors injured or likely to be injured . . . the right to relief in the federal courts."

It sent the case, dismissed at district level, back for a new trial.

Early last year the federal appeals court for the District of Columbia ruled anew on the disputed clause.

The case involved a counterclaim by Johnson's Wax to a suit by the Gold Seal Company for registration of the words "glass wax" as a trademark.

Johnson argued that since there was no wax in Gold Seal "glass wax," registration as well as use of the term was illegal under the Trade-mark Act clause and likely to be detrimental to Johnson's real wax products. It asked for an injunction and damages against Gold Seal.

While Johnson did not get what it asked, neither was Gold Seal allowed to register "glass wax" as a trademark. The District Court's interpretation of the clause was that the law now gives businessmen "adequate standing" to come into court and assert their rights against what they believe to be misleading competition—but once there, complainants must show specific injury to be entitled to damages.

Finally, just a few weeks ago, the federal court of appeals in New York took notice of the clause in a suit between two Manhattan maternity clothing shops. The established chain of shops, known as Maternally Yours, objected when a new chain began operating in the same area under the name of Your Maternity Shop. The confusion of names, according to Maternally Yours, was hurting its business.

While the case was decided mainly on the basis of state law, it is highly significant that Chief Judge Charles E. Clark suggested that application of the 1946 act "must be considered even though counsel does not cite it."

Which may be, but the matter has too much meaning for industry to retain its current state of suspended animation for long. And among the 400 attorneys who attended the recent annual convention of the American Patent Law Association, there was tacit and near unanimous feeling that the Supreme Court should soon make a definitive interpretation of the clause to determine just how far it changes the old law.—PHILIP B. YEAGER

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END WORK PILE UP

continued from page 37

The growth of these companies illustrates the boom in part-time jobs. Manpower was started in 1948 by two lawyers, Aaron Scheinfeld and Elmer Winter, who found that they couldn't get a stenographer to type a brief late one afternoon. Their pains, they thought, were frequently shared by other businessmen who had a periodic demand for extra help. By 1951, they'd built a million-dollar business on meeting that need. Now they have an \$8 million-a-year gross, some 60,000 temporary workers on their payrolls, and 83 of the nation's 100 largest corporations as clients.

Though he started in business in 1946, two years earlier than Manpower, Russell Kelly developed his Office Service more slowly and in a different pattern. A former management consultant who couldn't get anybody "to pay me what I thought I was worth," he invested all his savings in opening a temporary-help office in Detroit. Until 1953, it remained a local office. Then Mr. Kelly, who'd rejected plans to open his own branches or to sell franchises—the way Manpower expanded—turned to employment agencies as the vehicles for a nation wide system of offices.

"They had the know-how, they had the contacts," he explains.

Their temporary-help offices were to be completely separate from their employment agencies; their employees were to be paid through Mr. Kelly's main office in Detroit. In one month, he signed up with employment agencies in 12 cities. Later, in another expansion, he gained representation in 13 cities in 13 days. Business boomed so fast that he spent \$70,000 just putting up and taking down partitions in his main office. Now he has 20,000 women on his payroll, grosses \$3 million a year from Detroit alone.

Unlike employment agencies, the temporary-help firms find the worker for the job, not the job for the worker. They also charge the employer, not the employee, for the convenience of the merger. Usually the charge is about 20 or 30 per cent of the worker's pay.

The part-time help is rented, not hired out; it remains on the payroll of the temporary-help agency and is never transferred to the payroll of the client.

If an office manager in Chicago, for instance, encounters a sudden need for three stenographers for three days, he can go to a temporary-help agency and rent them for, say,

\$2.20 an hour for each girl. Like virtually all temporary-help employees, the stenos will be bonded for \$25,000 or \$50,000 but they'll also be under obligation not to go to work permanently for the client for at least 90 days after their temporary assignment is finished.

They'll be paid the going rate for such work, say \$1.80 an hour, and the temporary-help agency will pocket the 40-cent difference as its fee. "This is strictly a pennies-an-hour business," says Tom Graham, executive vice president of Russell Kelly Office Services. "We depend on a large volume for a profit."

But why should a businessman pay a fee in order to rent part-time help when he can go out and hire it himself?

Because he can save himself a lot of trouble and a little money. He can call a temporary-help agency at four o'clock in the afternoon and have all the help he needs the next morning without worrying about interviewing, advertising, training or the other chores of hiring and firing. He'll also save money in a score of ways, but principally in avoiding the costs of fringe benefits, the cost of hiring and firing, and the financial drain of wasted time on the job.

In 1955, fringe benefits cost an average of 39.2 cents an hour, or,

20.3 per cent of the payroll, according to a biennial survey of 1,000 firms by the Chamber of Commerce of the United States. Firms which have high fringe benefits are extremely alert to these savings. Banks and trust companies pay the highest fringe benefits, 56.4 cents an hour among those surveyed by the Chamber of Commerce. At first, they displayed little interest in temporary-help agencies.

"But in February, 1956," says Russell Kelly, "we billed banks in Detroit alone some \$65,000 for part-time or temporary help."

The costs of hiring and firing are even more imposing. One study in Chicago showed that it cost \$411 to hire and fire a factory worker. The Prudential Insurance Company reported that it cost \$700 to hire and train a high-school graduate as a dictating-machine operator. A West Coast aircraft manufacturer estimates that it costs \$1,000 to get one net addition to the labor force. In sales and executive levels, the cost shoots up—an average of \$6,684 for a salesman, according to a survey of 136 companies by the American Management Association.

All of these estimates include the costs of advertising, interviewing, indoctrinating and training, medical examinations, production lost during

COSTS ARE HIGH WHEN FIRMS MEET OWN TEMPORARY HELP NEEDS

A Chicago study set the cost
of hiring and dismissing a
temporary factory worker at——— **\$411**

Insurance company reports that
training high-school graduate to
operate dictating machine costs——— **\$700**

Aircraft manufacturer estimates
that one net addition to the
labor force means expense of——— **\$1,000**

the hiring and training period, accounting costs in handling the payroll—but not the rise in unemployment compensation rates. By hiring and firing his own part-time help, a businessman must face a sharply rising unemployment compensation rate because of the rapid turnover. By renting part-time help, he side-steps this.

To many businessmen, these can be important savings. The U. S. Rubber Company estimates that it saves 17 per cent by renting temporary help to get some jobs done over any other system, including hiring its own part-time or temporary help. A steel warehousing firm in Chicago declares that it saves about \$75,000 a year by renting part-time help from an agency instead of hiring and firing the help itself.

On top of all this, the businessman renting part-time help is charged only for as much labor as the job demands. Several years ago the manufacturer of a home permanent kit rented help to replace the metal curlers in millions of kits with plastic curlers. The kits were to be shipped to Chicago where 90 girls started the job one Monday morning. On the second day, the flow of kits slowed down drastically, so the agency assigned only 40 girls to the job on Wednesday and none at all on Thursday. On Friday, with the supply of kits back to normal, it sent the full crew of 90 back.

"Later on," says Aaron Scheinfeld, "the manufacturer phoned to ask how we did the job for less money—even with our fee—than he could have done it himself. I asked him how many workers he would have hired each day for the job. He said 90, the number that he would have hired at the beginning of the week. That was the answer; he would have had to pay 90 workers every day, whether he needed them or not. We assigned only enough workers every day to get the job done."

Most of the temporary-help agencies specialize in providing office help but a few tackle almost anything. Manpower once supplied a part-timer to carry the 25-pound briefcase of a Cincinnati businessman who had recently undergone surgery. It assigned another crew to bury a racehorse that dropped dead in the course of a race. It sent eight girls to help Liberace address some 75,000 Christmas cards. And it provided 200 strong men to a Philadelphia rope manufacturer who was demonstrating his product by using them as an anchor for a passenger-carrying balloon.

The catalog of most part-time and



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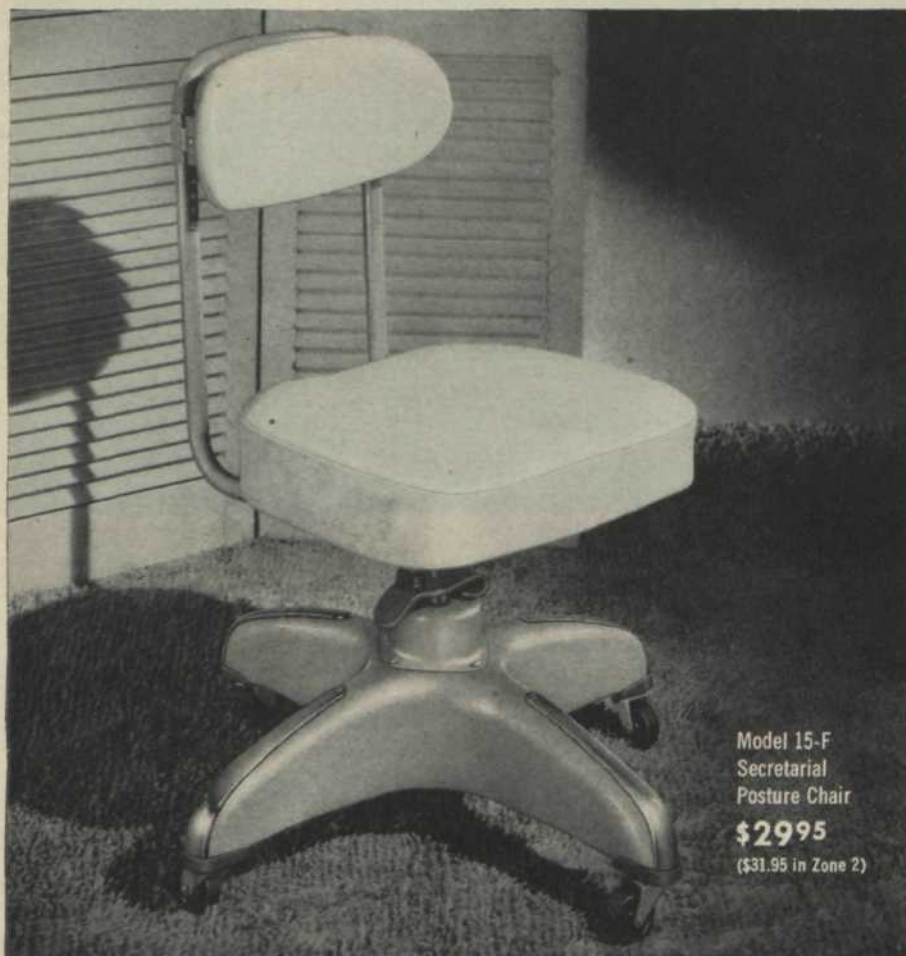


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END WORK PILE UP

continued

temporary assignments is longer and more sober. For instance:

► An insurance company in Milwaukee rents eight to 10 girls every January to help send out its annual report to its million policyholders.

► An automobile manufacturer in Michigan hires 151 girls for one week end a month to map its parts schedule (a job which once took 50 full-timers more than two weeks a month); it estimates that it saves \$75,000 a year by renting help.

► Another manufacturer of automobiles changes the names on its multimillion-name mailing list periodically; it hired anywhere from three to 151 girls in a single day to help with the task.

► A Philadelphia insurance company wanted to change its filing system. It rented 14 girls to work from 6 p.m. to 10 p.m. daily to keep from interfering with office routine.

► A French businessman needed an interpreter-secretary for an important conference in Minneapolis; an agency provided one in a matter of hours.

► The National Bank of Houston had to prepare a huge stock issue in less than three weeks; it hired 20 girls to help with the task.

With temporary-help employees, a businessman usually gets a virtual guarantee of quality. If a part-timer rented from an agency can't do a job, he'll be replaced the next day—"which is a break for the businessman who may pay \$80 a week for nothing if he hires help himself." Moreover, the part-timers are frequently more productive than permanent help for a variety of reasons.

"I'd rather have your men than my own," a warehouse manager once told an agency, "because I don't have to spend two or three hours every day searching all the nooks and crannies that my own guys have found to sack out in."

A more profound reason is that the temporary-help employees tend to be older, on the average, than full-time help. Why? Because many employers are willing to take on older help as long as they don't have to pay high premiums on insurance for them—and this cost is avoided by renting the help from the temporary-help agencies.

As a result, the temporary help tends to have the reliability and stability of an older person; it works more conscientiously and can take one or two days off on its own time when it feels like it.

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END WORK PILE UP

continued

idea, most of them would rather have our older employees," says N. W. Picker, president of Office Temporaries in New York City. "They don't begrudge you an hour's work for an hour's pay. They grew up in a grimmer era where if you didn't work you didn't eat."

Thus far the temporary-help agencies haven't encountered union opposition. In fact, the Russell Kelly agency frequently sends its girls to work in union offices in Detroit. Once they were asked to count ballots in a bitterly fought election for control of a Detroit local. The unspoken truce is partially the result of mutual tolerance. The unions recognize the proper need for temporary workers, the temporary-help agencies recognize basic union claims—they won't cross picket lines and won't rent help for strike-breaking purposes.

But more powerful than this is the recognition of reality—the white collar workers are not yet strongly organized; there are many more jobs than workers in most white collar fields so no union labor is displaced by temporary help; and most union contracts stipulate that the employee must work for a certain length of time—say 30 to 90 days—for one businessman before he becomes eligible for union membership.

Why do people take part-time jobs?

Principally for the money. The farmer and the laborer have business cycles, too—periods in which they can expect little or no income from regular sources. The crop may go bad or the factory may be retooling. They turn then to part-time or temporary work. A housewife frequently has another motive when she seeks part-time work; to avoid boredom. No longer is her day absorbed with housework—the labor-saving devices have given her a great deal of extra time. But frequently it hangs heavily on her hands; she feels bored and a little lonely just staring at four walls all day or making brief sorties to the grocery.

By taking a part-time job, she circulates more freely in the stimulating world outside her home while bringing in an income that makes her feel more useful. Not infrequently, she'll work for slightly less money than the prevailing wage if she gets her choice of working hours and doesn't have to travel great distances to and from work.

"It doesn't pay to work four hours a day if you have to travel two hours
(Continued on page 74)

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END WORK PILE UP

continued

to and from your job," points out Marjorie McNair of the New York State Employment Service.

The reservoir of part-time labor should expand in the coming years as more and more persons not normally in the labor force—become aware of the glittering potentialities of part-time work.

The boom in part-time jobs appears to be durable. The heads of most temporary-help agencies agree that they'll prosper in times of recession as well as prosperity.

"The time we're in trouble is when business is only normal," says Robert Hood, head of Office Services of New York City.

But in a recession the nature of the part-time labor supply will change. As workers are cut back from full-time jobs, they'll seek part-time jobs to maintain their income. The part-time market will become glutted with workers and thus change into an employer's market, along with the full-time market.

Much of the part-time market hinges on the cost of full-time labor; as labor's demands are raised and met, the part-time opportunities will expand. One executive of a temporary-help firm believes that the guaranteed annual wage will give his whole industry new impetus. "Any employer is going to be mighty sure he's keeping his full-time force at a minimum with GAW," he points out. "That means he'll be turning more and more to temporary and part-time help."

Aaron Scheinfeld believes that the trend toward a shorter work week, particularly the 30-hour week, will leave much work undone by full-timers and that persons who are willing to work five or 10 or 15 hours a week will take up the slack. In some industries with a short work week, this is already the case; the employer finds it cheaper to hire part-time and temporary help than to pay time and a half to full-time help.

Says Scheinfeld: "There'll always be people who want to work more than they play."

Despite the almost-explosive expansion of the part-time market in recent months, the increasing demands of labor should give continued impetus to this new labor supply.

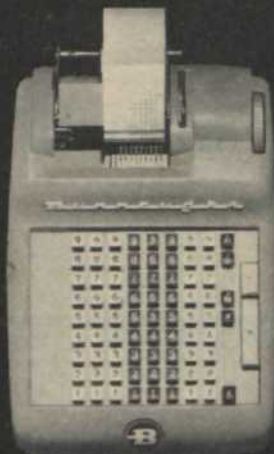
"There's going to be so much business in this field," says the head of one temporary help agency, "That I'd open an office in every 10 blocks in Manhattan if I could."

—WILLIAM BARRY FURLONG



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AGRICULTURE

continued from page 33

the normal yields is a method of destituting the control bee.

Moreover, the effectiveness of these controls has been in some cases deliberately tethered by Congress. For example, no wheat acreage allotment can be proclaimed below 55 million acres, regardless of the supply-demand-surplus situation. Nor can a cotton marketing quota be set below 10 million bales.

► **The soil bank.** The most recent attempt at a firmer rein on production was the soil bank legislation of 1956. Theoretically this scheme of government rental of acreages and the banking of fertility comes a little closer to the target of paring production. It provides the retirement of the rented acres from crops or marketable forage production of any kind. But here, too, there are some open ends:

The plan deals only with land acreage. There is little reason to doubt that capital and labor will be concentrated on unrented acres to step up production.

Similarly, the soil bank, especially the acreage reserve part of it, is set up ostensibly as a temporary program. If, in a few years, the acres reserved in the soil bank are returned to production, what is to be done with this added production?

Some spokesmen admit that the bank will be permanently "temporary." They look upon the soil bank as a useful device for redistributing income to provide added money for farmers.

The soil bank will doubtless be a hot issue before the new Congress. Overhauling is demanded in some quarters. Here are a few of the conflicting viewpoints.

From one side comes pressure to tighten the legislation and make its control intentions more effective. For example, it is proposed to add feed grains and possibly some other crops to the basic commodities now eligible for the acreage rental reserve. There are also pressures to link the acreage reserve more closely to other control programs. Thus some would like to see eligibility for price supports conditioned upon participation in the soil bank.

Somewhat paradoxically, others want eligibility of producers for the soil bank conditioned upon compliance with other control programs. Some also advocate cross compliance, which means requiring each farmer to participate in every control program applying to his commodities in order to receive the

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Few will argue that today's worker *cannot* be more productive. He is physically and mentally superior to his grandfather, and yet when the differences in their tools and equipment are allowed for—he produces less. The difference between what he *can* produce and what he *does* produce, more often than not, determines the competitive position of his company in the market.

But it is wrong as well as useless to blame the worker. He is willing, (even anxious) that the potential be realized—but the responsibility belongs to management.

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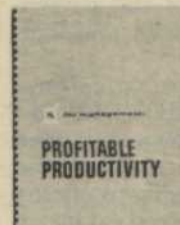
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AGRICULTURE

continued

benefits of participation in any one program.

Others would like to see the soil bank terms relaxed so that more farmers could get more benefits with less sacrifices. For example, one proposal would permit farmers who have contracted for acreage rental to cancel and withdraw without penalty any time up to the day of harvest. This would appear to make the soil bank a one-way gamble.

► **Surplus disposal.** A collection of snarls centers around the disposal of present and continuing surpluses.

The Agricultural Trade Development and Assistance Act of 1954 (P. L. 480) expires in 1957. It was passed with the understanding—and in some quarters reluctantly condoned—that it was a temporary device to meet an emergency. Now pressures are developing to extend it. Under the law, about one third of the value of the government-held surpluses have to date been moved out of government hands at less than 60 cents on the dollar of the government's costs for acquisition and shipment out.

Forty per cent of our agricultural exports—which recently set all-time records—moved under this and other governmentally underwritten programs. This looks like dumping to other nations. Proposed extension of P. L. 480 has recently stirred waves of criticism and ill-will in friendly countries.

People trying to do a normal export business are also asking how much longer this sort of thing can go on, and how much further it can go and still leave any semblance of business enterprise for the citizens.

Apprehension on this score is not confined to the export market. Surplus disposal domestically is disrupting current markets and demand in spite of efforts to prevent it.

Campaigns are being mapped for drives to install a domestic food stamp plan so that surpluses can be used to improve diets in the nation. Of course, some of this thinking is based on only a temporary program, once again, to whittle down surpluses. Lost in this welter of good intentions is the fact that the existing surplus stocks are almost entirely inappropriate for food-stamp disposal to improve nutrition.

Also back of this movement is the push to subsidize consumption for other social purposes. Some proponents have said that the primary aim and benefit of such schemes would be the freeing of family purchasing power to buy other things.

It seems certain that, if such a program were to be launched in a period of high level economic activity and full employment such as the present, it not only would also become permanently "temporary," but pressures would mount to expand progressively the number of people eligible.

Once again comes the question: how far can this sort of thing go and still leave an area of business enterprise for citizens outside of the socialized state? The ultimate could only be the making of food for a great bulk of people a publicly subsidized utility.

► **Parity revision.** Congress, it is presumed, will consider revision of parity definitions and formulas. The last Congress directed the USDA to study the whole parity paraphernalia with the view of revising and improving it. Only time will show whether Congress will come to grips with the need for a more realistic formula in terms of today's economic

The state should only undertake business or public improvement enterprises where they are greater than the people can undertake themselves.

—Herbert Hoover

and technological conditions. Even more significantly, will it recognize that to set up parity as a fair distribution for any one group is to set, by implication, the standards and shares for all other groups?

► **Preserving the family farm.** This issue will be kept hot both by those who have a sincere apprehension over the speed with which certain trends are modifying agriculture and those who see in its semantics a useful device for reaching ulterior ends.

No one is against the family farm. But the growing size of farms and the statistical decline in the number of farms are convenient racks on which to hang a host of ideologies.

The relation of size of farm to the problem of preserving the family farm is not too clear. It is more or less normal for business mortality to be heaviest among those too small and with inadequate capital and resources. This is true of the farm as it is of other businesses. Incidentally, few people realize that close to 80 per cent of all nonfarm business enterprises in this country are also family businesses relying mainly on the family for their labor force.

Agitation on this issue looks to proposals for legislative action and

administrative regulations to do the preserving. The precise forms such proposals may take remains to be seen, but certain patterns have developed.

There will be pressure for such things as: Differentials on the benefits of price support programs; more minimum limits on acreage allotments and marketing quotas; maximum limits on rights to produce under some commodity programs; differential payments on some programs, such as the agricultural conservation program and the soil bank. They all add up to penalizing some in order to reward others under programs that are ostensibly in the general welfare of all.

Patterns of adjustment

Against this background let's consider a new approach to the farm problem.

► **Markets.** On the demand side much work is yet to be done in expanding markets, in spite of progress already achieved. Farmers have and will have further help in this task, but no small measure of the responsibility falls upon the farmer himself, as most of his leaders recognize.

If export markets are to be won and held, fundamental re-thinking of trade problems and the conditions that foster healthy trade is in order.

The domestic market can be expanded by a changed and renewed emphasis on nutritional education. There is, however, no certainty that this will automatically guarantee a higher total dollar demand for food at the farm level.

Increased interest, officially and otherwise, in new uses for farm products and new crops and products suggest possibilities in this area. A word of caution is appropriate here. The probabilities are not great that such developments will on the whole have bullish effects on the farm price level generally, especially while present notions of what constitute satisfactory prices prevail.

► **Withdrawal of resources.** It seems clear now that for some little time to come the adjustments needed to bring agriculture into balance with real markets include some withdrawal of resources. This includes the voluntary retirement of land that is economically submarginal unless artificially supported by government. It includes the liquidation of capital not profitably utilized unless underwritten. It includes the voluntary withdrawal of people from farming to other occupations offering a better plane of living.

All three of these adjustments are currently going on. The important

thing is for policy and programs to foster and facilitate them rather than attempt to obstruct them.

► **Tightening up of farm management.** Here the adjustment is essentially the business proposition of adapting and adopting new techniques and methods that will permit the producer partially to meet the cost-price squeeze by reducing real costs of production. The adjustment, too, is substantially underway, but measures to facilitate it could save the farmer some miserable months.

► **Toward realistic prices.** Here the problem is gradually to adjust farm policy and programs toward realistic prices that will perform their function of guiding and regulating production and consumption in freer markets.

The alternative to such adjustments is more and more government intervention in the farm business, more planning, arbitrary and clumsy regulation, more programs that impede and frustrate adjustments in the direction of a dynamic, healthy and growing farm industry.

Within agriculture and among farmers there is, on the whole, the desire and the capacity to face up to these adjustments and to make them.

American agriculture is fast growing up and farmers are beginning to be weary of being treated as a gigantic permanent invalid. As a business, farming has some characteristics and differences in organization that will probably exist as long as farming is farming.

Meanwhile as a people we should be grateful that whatever other problems we have in agriculture the essential problem is abundance. The farmer cannot be blamed for feeling that the rest of society owes him some consideration and appreciation for this blessing. Nor should any city slicker get the idea that agriculture is pioneering the road to socialism. If the road for agriculture turns toward socialism, it will be because other examples have enticed the farmer in that direction and outside forces are pushing him along that line.

Farmers can find example and precedent aplenty in other sections of the economy leading in that direction.

The last thing farmers and their elected leaders want is a competitive scramble to see who can get the most at the public trough.

But by the same token, neither do they want to be the final fatal casualty in the rear guard defense of our democratic enterprise society.

—WALTER GARVER



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Managers need **3** smart teachers

**The four kinds
of knowledge and
five habits that
make for executive
success come more
quickly under a
balanced program**

IF THE TIME and money now being spent on management development by many companies is to pay off, more thought must be devoted to the kinds of training now being done, and the ways in which men are being trained.

Some companies profess the way really to develop a manager is by training him in the arts and the classics. Others say if you just train him in speed reading, conference leadership and a few other techniques, he'll be a manager. Others say, "You've got to train him in organization and management." Still others claim the only thing he really needs to know is human relations. All 47 ways now being used cannot be right!

To determine how useful any one of these kinds of training is, it is necessary to understand, first why executives need training and second, what this training is expected to give them.

From this study we will learn:

- ▶ Three premises on which executive development should logically be based.
- ▶ Four fields of knowledge that would-be executives must recognize and then comprehend.
- ▶ Five habits that the would-be executive must develop.

Once we have thus separated the executive function into its component parts, we will be better fitted to decide what emphasis to put on each of the three phases of executive training:

- ▶ The third person phase.
- ▶ The second person phase.
- ▶ The first person phase.

The three premises that show us the direction executive development should logically take are these:

1. The individual who would become an executive is usually a specialist who must acquire knowledge that he didn't need earlier, and learn to refrain from using skills in which he has been expert.
2. The knowledge that a would-be executive has to acquire can be defined and, hence, learned.
3. Would-be executives must acquire, in addition to new knowledge, certain habits. These they may acquire by doing, or by aping—not by being taught.



LOGIC AND SOCIOLOGY OF ORGANIZATION, DELEGATION OF RESPONSIBILITY,

SPECIALIST

Whether or not administration is yet a science, there is an organized, and rapidly growing, body of knowledge as to how best to organize, plan, direct and control the efforts of human beings to a common end. This knowledge is basically of four kinds:

The substance of management: The individual who is making the bridge from being a specialist to becoming a generalist must learn the logic and, as well, the sociology of organization. He must learn of delegation, of motivation and of leadership. He must master the processes and the philosophy of policy making, of planning and the companion process, control. But, if he learns all this, he has just begun.

Familiarity with other specialties: The specialist growing up needs to learn much about those other specialties that are equally essential to making an enterprise run. The research chemist who is being promoted into executive rank need not become a specialist in selling. He does need to learn enough about the peculiar characteristics of the sales function to be able to understand the salesman. This much he must know if he is to perform the executive's unique task of catalyzing the specialized contribution of the salesman with the individuals who make up the enterprise.

Knowledge of the world he lives in: The specialist who wants to climb the managerial ladder must come to know the business world he lives in. His understanding must extend beyond the plant walls. This means that he has to understand the labor unions with which he must deal, the government that regulates, taxes, or controls the enterprise in many ways, the communities where the company's plants are located, and the economy in which the ups and downs of wages, prices and interest rates determine the success of his enterprise.

The would-be executive cannot get ahead by having an expert knowledge of books of account, of mechanical processes or of successful sales gimmicks. He must understand the customers, the workers, the bankers, the civic leaders, and the institutions, and the economic, political, and social forces with which the enterprise must deal. He must understand them so well that he is capable of walking up to the life insurance president from whom he would borrow \$1 million, or the national president of the union, with the ease and self-assurance with which he would greet an old college classmate. This is the stuff of which an executive's job is made.

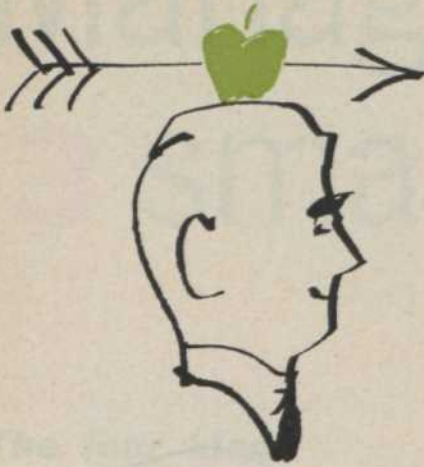
Mastery of executive processes: Those few individuals who achieve major executive posts in large enterprises need to acquire still another set of special and complex skills. Executives at all echelons make decisions but the responsibility at the uppermost levels is so much greater, the stakes so much larger, that the very process by which decisions are made is different in kind. The foreman who can deal with each of his workers on a face-to-face basis has problems of communication. But the executive who must communicate his opinions, ideas, and policies to thousands of individuals scattered from one ocean to the other has infinitely larger and more difficult communication problems.

Leadership is one thing for the manager of a small, well knit, compact



LEADERSHIP, THE PROCESS OF POLICY MAKING, OF PLANNING AND CONTROL

GENERALIST



Trusting people



Being curious

group; it is vastly different for a president who must direct, stimulate, and speak for the thousands who make up an industrial empire. The differing character of these tasks makes up what I call the "executive process."

The would-be executive, after learning what there is to know of these four areas, must develop five habits:

1. *Trusting people:* He must be able not only to welcome the ideas of others, but to plant his own ideas in the minds of others and to compliment them on their ingenuity. His receptivity must go to the point of exercising great powers of self-restraint. He doubtless was an expert in his own field yet he must have sufficient restraint to enable him to be content with exercising broad controls over results and to refrain from telling the sales manager how to sell, the comptroller how to keep his accounts, or the personnel man how to do his job no matter how expert he may have been in any one of these fields. In short, he must build the habit of trusting people.

2. *Relying on facts:* He must realize that no matter how experienced, he cannot afford to base decisions on experience. Experience is a much over-rated asset. There are two reasons why:

First, Coleridge has said that experience is like the stern lights on a ship; it illuminates only the past. Experience must be up-dated if it is to be continually worthwhile.

Second, the assertion of experience, like the pulling of rank, is a first-rate way of discouraging the young and capable assistant. Facts provide an objective basis for rejecting the assistant's proposals while contributing to his understanding; the mere assertion of experience contributes little to developing an individual for whose development the executive is responsible. Hence an essential habit is that of relying on and regularly looking at the facts.

3. *Being curious:* Successful executives are constantly seeking to learn about every facet of the enterprise for which they are responsible. They are not content to sit on high and to bless someone's recommendations. They have to poke their noses into one corner of the business after the other. They do so with the uncanny facility of, while having their noses in, keeping their hands off.

In short, the successful executive is marked by an insatiable curiosity. It is this curiosity that enables him to keep his decision-making batting average up.

4. *Sensing the other guy:* The successful executive intuitively senses the reactions of those whom he must persuade. These will include at one time the bankers, at another time the customers, at another time the union negotiators, and at still another time the employees.

The successful executive develops the ability not only to understand those with whom he will deal, but to talk their language with an appreciation of what it means to them, and what reactions it will engender. This is a fine art and an essential one.

In passing, let me suggest that specialists break their picks most often by failing to sense the problems of, to understand the reasoning of, and to speak the lingo of their bosses.

The problem is, after all, relatively simple. The specialist must talk to the boss in terms of the frame of reference in which the boss will evaluate the specialist's recommendation.

The specialist who thinks only in terms of his own frame of reference is a tiresome assistant who helps little and will not likely go far.

5. *Respecting time:* Most of us have limited control over our own time. Deadlines are set for us. Staff meetings are scheduled without our consent. Appointments are fixed at which we are expected. Our time is, in considerable part, planned (or misplanned) by others, usually our superiors.

The executive, in contrast, is substantially the master of his own time. That mastery, however, is not freedom, because he is besieged with demands

upon that time. His success depends upon his ability to utilize that time effectively.

If he fails to learn how to manage his time, he will be difficult for his staff to reach, he will antagonize certain key customers, he will continually wear that look of executive harassment, and he will eventually wear out with ulcers or a coronary.

If, on the other hand, he learns to manage his time, even as the miler learns to pace himself, he will accomplish much, be readily available to his staff and to those from without who would ask him, and at all times exhibit the placidity that marks the man truly in command of his own resources.

Managing one's time is a habit that, if one is to succeed as an executive, must be acquired.

Each of these nine components are definable, distinguishable and essential weapons in the arsenal of the would-be executive. Our task is to consider how we can help the young man with promise to acquire the knowledge and build the habits that he needs.

The third person phase: Formal training programs

These alone won't do the job. They can supply some of the knowledge the individual needs, but they can do little to develop the attitudes and habits that are even more essential. The in-company training programs are particularly useful in giving the growing executive needed knowledge of each department and other phases of the business.

Outside programs have a particular role to play at a particular time. They serve to introduce the specialist to the body of knowledge that makes up the science of administration. The individual should be exposed to this outside course at that critical time when he is being promoted into his first managerial (as distinguished from supervisory) job. This is a strategic time for him to be forced to go off from the business and to look at his job from a different perspective—lest he undertake the new job in the same fashion he has done the old.

Second person phase: Management's role

Top management's first responsibility is to create within the company the climate in which executives will grow. Such a climate can make the growth of executives vigorous, can unleash the talents and teamwork of each individual, and can encourage positive and resourceful behavior. To create this needed climate is to ensure that every boss throughout the company believes—and practices—that:

1. A general understanding of company objectives and policies is a good thing. This means stating objectives and policies clearly and then seeing to it that each boss recognizes his responsibility for letting each man know what the goals are and what the rules of the game are.
2. It is up to each boss to maximize the opportunities for his men. This means delegation of responsibility, a lot of it; it means exposing young men to the business' problems; letting them sit in when seniors wrestle with the problems, assigning them special projects that contribute to the meeting of such problems, inviting their ideas.
3. It is just as important to build courage in a young man as technical proficiency. This means eliminating the fear of criticism; it means urging and helping young men to make decisions without fear of making mistakes; mistakes are experience. It doesn't mean avoiding criticism; criticizing can build a man's confidence, pride, ambition and loyalty; but it does mean constructive, considered criticism, never made in front of others.
4. A program of well conceived incentives pays for itself. This means basically that the company will pay well; it means a sound promotion policy; it means the provision of incentive pay to stimulate that still additional ounce of effort; and finally it means recognition; recognition before one's fellows may be a greater incentive than anything with a dollar mark attached. Even with such a climate, a substantial part of the development

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Training managers *continued*



of future executives in every company is done, well or badly, by the bosses. Each man's relationship with his boss is, whether we like it or not, a major influence on his development. If the boss gives orders, personally sees that each activity is moving along, insists on being informed as to daily or even unimportant happenings, and takes credit for much of what is accomplished, his people won't develop.

On the other hand, he can play the role of a senior counselor by:

1. Stimulating his men to plan what needs to be done.
2. Spending much time asking questions for which he is pretty sure of the answers.
3. Refusing to make decisions for them, but always being available to talk problems over with them.
4. Studying his men and working out special projects for them to try their wings on.

If he does all this he will produce good executives.

In every company there are bosses who never heard of any one of the four areas of knowledge and five habits I have enumerated, but who practice each. They are great developers of executives.

First person phase: The individual's role

No matter how much is done through formal training programs or by his boss, an executive must develop himself. Indeed most companies don't pay much attention for long to those who are making no effort to expand their own capacities. What does the young man do who does display this effort?

He demonstrates through day-by-day performance that he wants to get ahead. He does this by the time-honored method of working a little harder and a little longer than is expected. He shows that he is willing to pay the price of success not only by working hard at doing the job, but by thinking how he can do it a little better. He learns and develops himself by doing.

He displays a keen desire to learn. He is interested in the job and this interest continually prods him to ask, Why? Despite graduation from a school of business administration, he doesn't profess to know all the answers; he exhibits the humility and trained inquisitiveness of an educated man. These traits take him to night school or to professional association meetings two or three nights a week. He learns and develops himself by seeking a fuller understanding on and off the job.

He observes and learns by watching his more experienced bosses and doing as he sees them do.

To sum it up—potential executives can be aided to acquire some knowledge they need through formal training, inside and outside the company; through third person training. They will be helped to acquire other knowledge, especially that which has to do with other departments of the company and the factors that influence its prices, costs and profits, by their bosses. These bosses, too, may exemplify the habits that the individual needs to acquire to succeed. These contributions of the bosses constitute the second person phase of management development.

But neither formal training nor the bosses can separately or jointly develop executives. Much of the knowledge and each of the habits that make for success as an executive, the individual will acquire by himself. This, the first person phase of management development, deserves more emphasis than it has received in many companies' development programs.—JOHN CORSON,

Director, McKinsey & Company, Inc.

REPRINTS of "Managers Need Three Smart Teachers" may be obtained for 15 cents a copy or \$11.25 per 100 postpaid, from Nation's Business, 1615 H Street N.W., Washington 6, D.C. Please enclose remittance with order.

SPENDING

continued from page 29

higher social level—better living. Joseph Haverstick, NAHB president, says, "The builder has to know what the customer wants in location and design and put on a fair price tag. We builders can't blame all our troubles on the tight-money situation."

Economic psychologists, noting that consumers who are willing to make credit purchases payable over two or three years are more cautious about 20 to 30 year mortgages, suggest that consumers are less confident about long run trends than about the next several months.

4. Willingness to take on more debt: A Treasury spokesman says: "The people want to buy more goods and they will borrow money if it is available."

A study of consumer debt by the University of Chicago's Family Study Center was concluded by this view, "The ethic of striving and straining, of scrimping and saving, is no longer necessary to the continuous advancement of real income." Or, as Rep. Wright Patman chose to put it, "Consumer credit is the poor man's savings."

The attitude toward debt was reflected in the election returns. Some 95 per cent of the bond issues put before voters in November were approved. The total amount of the new indebtedness for local governments is \$2.3 billion. It is shown further by a recent Survey Research Center study into what developments the consumer thought might react against business. Only one per cent listed "too much debt." This was one per cent less than last fall.

The attitude toward debt has changed since World War II. In 1939, consumer debt outstanding was a little more than \$7 billion. Today it is \$40 billion and moving up.

5. Acceptance of obsolescence. A generation ago, living and dining room furniture was expected to last the life of the family heads. Now, according to one study, it is considered obsolete in seven to 10 years. For many lines the life span is even shorter. This, psychologists say, will mean a lively replacement market for all kinds of equipment. It will mean, for example, that many people who bought automobiles in 1953 and 1954 will be back in the market this year. Late months may even find 1955 buyers returning.

6. Need for variety. The desire to escape from the increasing routine brought about by today's high-pressure activity, automatic machinery,

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mass production and specialized jobs teams up with increased leisure to pull people behind the wheels of new cars, away on vacations and into clothing stores. It will account for an increase in home workshops, sales of photographic equipment, artists' supplies and do-it-yourself merchandise.

It will spread out into landscaping, home improvement, remodeling of old houses. One manifestation, on the West Coast, is an enthusiasm for old-fashioned gingerbread on new, high-priced houses.

7. Fear of world conditions. A flurry of this turned auto sales from a buyer's to a seller's market in a few days last November. The way emotional reaction to fears of shortages triggers buying was shown by the University of Illinois Bureau of Economic and Business Research. During the Korean War investigators found that consumers who expected our relations with the communists to deteriorate bought 25 per cent more goods than those who did not.

In the fall of 1950, when the United States suffered setbacks in Korea and the Chinese communists came into the war, consumers flooded the market.

To these emotional factors, the economists add other reasons for consumers' expected willingness to buy. One is the return of women to the working force at a rate even higher than that of World War II.

This adds to the buying power of family units. Another is the acceptance of high prices. Recent studies show that such prices do not cause enough resentment to bring on serious customer resistance.

There are some minus factors on the horizon. There are no pent up demands of the consumers as after World War II and Korea. They have their houses and furnishings and cars and could curb their buying without seriously disturbing their mode of living. Many of the families which formed just before World War II have sons and daughters ready to go to college and put a strain on the budget. Today's consumer is far more sophisticated than he was eight years ago and is less responsive to high-pitched advertising, and must be more casually interested and sold by the salesman.

Secretary of the Treasury George M. Humphrey adds a further note of caution, "We must create more incentive for more saving, to have more capital available for expansion. Without savings and investment you cannot get high productivity. Without high productivity you cannot have high wages. Without high wages you cannot have the standard of living we all want." —TRIS COFFIN

REPRINTS of "Consumer Spending: New High Ahead" may be obtained for 10 cents a copy or \$7.50 a 100 from Nation's Business, Washington 6, D. C. Please send remittance with order.

WORK TIME CUTS

continued from page 43

a month would, in effect, reduce the average workweek less than two hours.

Longer vacations

Argument for: Increasing paid vacations to, say, four weeks for all workers and six weeks for those with long service would be a boon to foreign travel. Taking two vacations, one in summer and one in winter, might provide a real uplift to family life. A winter vacation at Christmas time could include school-age children and, Mr. Henle feels, should not disrupt business operations too much. There could be plant shutdowns between Christmas and New Year's.

Mr. Henle finds no disadvantages, and sees longer vacations as offering "very concrete advantages to American living."

An extended leave of absence with pay is suggested as a variation of longer vacations, similar to the

system of sabbatical leave (one year in seven) which some college professors enjoy. A year's leave at age 50 or 55, Mr. Henle points out, would allow the worker to do some of the things he wants to do when he retires, at a time when he is physically capable of doing them and when he most strongly feels the need. Spread over a worker's entire working life, a year's leave would average less than one hour a week.

Mr. Henle visualizes, also, a combination of longer vacations and a six-month or year's leave. The worker could save some of the six weeks vacation he may be entitled to and credit it toward the longer leave.

Argument against: Longer vacations present no new problems with which industry is not already acquainted. Talk of more foreign travel by workers induced by long vacations is unrealistic, particularly since any substantial move toward increased leisure would slow down

the rate of increase in real income. What prevents most people from vacationing in Europe or Hawaii is not lack of time, but expense.

Mr. Henle sums up with two predictions:

1. Labor probably will not choose one of the methods of gaining greater leisure to the exclusion of the others. Advances can be made along each of the lines at roughly the same time.
2. Labor will not move as a unit in the same direction. Groups of workers in different occupations, industries or areas will assign different priorities to different types of leisure time.

It may be seriously questioned whether workers really want more leisure time, when they might earn more pay instead, and whether the real objective of labor leaders is to boost pay through more overtime hours at premium pay, rather than cut actual working hours.

Labor admits that it is no longer necessary to shorten working hours further as a social move. The eight-hour day, 40-hour week presents no threat to health and safety.

Some workers—even some union officials—are more interested in higher pay than shorter working hours. Among them are some who want the basic workweek reduced just to increase the number of hours at overtime pay.

Shorter hours in a union contract don't always mean that the number of hours will be reduced. Lithographers, for instance, have a standard week of 35 hours in their labor agreements; they are still working about 40 hours, getting premium pay for the last five.

"Here the reduced workweek has apparently had less effect upon hours than upon income," according to George Brooks, research director of the International Brotherhood of Pulp, Sulphite and Paper Mill Workers, who participated in an AFL-CIO conference on shorter hours of work.

"Aside from the workers' desire for their paid holidays and paid vacations, there is no evidence in recent experience that workers want shorter daily or weekly hours," Mr. Brooks asserts. "The evidence is all on the other side."

Loss of the chance to work overtime is the most common reason for workers' complaints, he says, adding, "Workers are eager to increase their income, not to work fewer hours."

Richard Gosser, UAW vice president, feels that the auto workers should concentrate on getting the workers more pay rather than more fringe benefits.

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PROMOTION

continued from page 39

Third, it is expensive in dollar-and-cents terms. To cushion the impact of the force-out, you must have a premium type of retirement plan—such as the armed forces have—in which retirement pay is at least a reasonable approximation of active duty pay.

No large business organization has ever gone as far as the armed forces in adopting a force-out system. But a number of corporations have recently been moving in this general direction with their retirement programs. They make it possible for a stalled executive to retire at a comparatively early age and with no great loss of income. Or they fix an arbitrary age limit at which all executives, stalled or otherwise, must retire. The latter differs from the military set-up only in that it is the executive's calendar age, rather than his length of service with the company or the period of time since his last promotion, which determines when his number is up.

Since the disadvantages of a blanket retirement policy are the same in business as in the military, some thoughtful managers have concluded that it is a fundamental

fallacy to attack the crust with any automatic, impersonal system.

The best solution, they believe, is to treat each unpromotable executive as an individual problem, with separate diagnosis and treatment.

This need not be as difficult a management operation as it may sound. Most progressive companies already have some kind of executive development program which calls for systematic appraisal of individual managers and their growth needs. It may be done through "appraisal panels," (such as those described in "You Can Help Managers Grow," NATION'S BUSINESS, November, 1956) or by any one of several other methods. In nearly every company this program is now heavily slanted toward picking out youthful comers and guiding them in developmental paths that will improve their promotability. It would be simple, however, to adapt this existing machinery to perform the additional function of appraising your unpromotables and recommending how each should be handled.

The first step is diagnosis: finding out why Executive X has gone unpromoted. Is he simply a victim of circumstances, a man who has run into the converging sides of the triangle long before he reached the highest level of management responsibility he is potentially capable of fulfilling? Or has he bumped into a ceiling fixed by his own limitations?

If careful appraisal indicates that he really is a four-quart man in a two-quart job, the next step is to make a realistic analysis of his future chances of going any higher in your firm. Will planned expansion open up more opportunities in a few years? Is top management freshly staffed with comparatively young men or are some retirements to be expected soon? How many equally good men are ahead of him when vacancies do occur upstairs?

You may decide that Mr. X actually has pretty good prospects—better than he can see from where he sits now—for a future break. In that case, you probably can hold onto him, and keep him pulling his full weight on the team, by two simple devices:

1. Call him into a counseling session and lay the facts before him. Let him know that the company recognizes and values his ability, that it feels that he is qualified for a bigger job from which he is now blocked through no fault of his own. Give him an honest picture of his future chances—without, of course, making any flat promises. Tell him that if he's willing to wait it out, and will continue putting forth his best effort in his present job, you will do all you

can to see that his loyalty to the company is rewarded.

2. Lighten the burden of his waiting by passing out, from time to time, a few interim plums. An in-grade salary boost, a few extra status symbols such as moving him into a larger office or giving him a reserved parking space, will help to convince him that the counseling session was not just an idle pep talk. This in turn will work wonders for his morale and keep his incentives strong.

If you decide, on the other hand, that Mr. X is likely to remain blocked in your company for a good many years, the fair thing, and in the long run, the wise thing, is to tell him the truth. Offer to help him hunt a job in another company or even another industry where expansion prospects or executive vacancies offer him a better chance to move up. Some well-managed firms already are operating aggressive outplacement services for blocked executives at all levels. By deliberately steering able Mr. X to greener pastures elsewhere, you can simultaneously win his (and another firm's) good will, and chop a hole in your own firm's crust, enabling a whole succession of young comers stalled beneath Mr. X to move up one peg.

Suppose, however, that the appraisers conclude that Mr. X, while competent enough in his present job, has either reached or is nearing the upper limit of his inherent capacity for executive growth. He is a two-quart man in a two-quart job, and further promotion would be a mistake, no matter how many vacancies open up above him.

In preparing a plan for Mr. X, there are two objectives to keep in mind:

- You want to continue utilizing his proven technical skills, if possible.
- At the same time, you want to open up the particular promotion ladder which he is blocking.

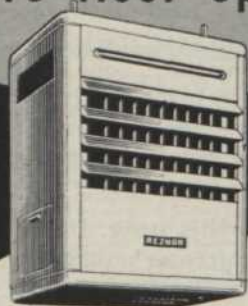
One way to achieve both objectives is to give Mr. X a lateral promotion. Move him out of the direct line of executive command and into a new job where he can function as a technical specialist or a consultant.

This clears the way for a younger and more promising executive to move up into Mr. X's management slot. It places Mr. X in a position where, if he must sulk or go into a tailspin, he will not demoralize a department under his control.

But Mr. X need not sulk in his new job. With skillful counseling and a little elemental understanding of human motivations, you can handle the transfer in such a way that he will accept it gracefully, or even enthusiastically.

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First, he must be reassured that his shift is not a prelude to dismissal nor is it a disgrace. He may not be going any higher in the company, but neither is he on the way out. The company respects his ability, appreciates his past loyalty, and believes that he has a real future contribution to make. He will be surrendering the direct authority over employees and operations which he has been accustomed to exercise; but he can, if he tackles the new job in the right spirit, acquire a different kind of authority as a real expert in his field—and under less pressure.

The basic assurance which you must convey to Mr. X about his new job is "You can count on this." Firm knowledge that he can look forward to a useful and secure career with the company can be for Mr. X a source of relief far exceeding any disappointment over the final dispatch of any lingering promotional hopes. Ending his suspense and unspoken anxieties about his future may indeed be the biggest favor you can do for him. An army colonel sweating out the jump to brigadier general put it this way: "It's the uncertainty that gets you. If you knew positively you were never going to get that star, you could relax and spend your last years in the service doing a bang-up job as colonel."

Second, you can take steps to make sure that Mr. X suffers no loss of face because of his transfer. A fancy title, an announcement placed in the local newspapers about his important new position, a few of those coveted status symbols will help to convince his family and friends, as well as Mr. X, that he is being rewarded, not dumped.

Astute managers will ask at this point: How can we justify the expense of creating a new job for Mr. X? Aren't you suggesting that we overload our executive payroll with a lot of technical specialists whom we probably could get along without? Wouldn't it be better just to force Mr. X into early retirement?

One way to answer these questions is to do a little simple arithmetic. Figure how much it would cost your company to put Mr. X on pension. Deduct this from the salary you would pay him if you kept him in harness as a consultant or trouble-shooter. You may be amazed at how little it actually will cost you to continue utilizing his talents.

—LOUIS CASSELS

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- ▶ Casts new light on qualities that make for realistic leadership.
- ▶ Suggests that the customary organizational setup of most concerns may have to be altered or material benefits for workers will go up and up.
- ▶ Points out areas where researchers of management problems must probe deeper.

The new theory was built on a

foundation of 3,000 research sources, from articles in professional journals to discussions with businessmen and assembly-line workers. The project was sponsored by the Foundation for Research on Human Behavior, Ann Arbor, Mich. Chris Argyris, associate professor of Industrial Administration, Yale University, and research project director of Yale's Labor and Management Center, has set the theory down in a book to be published this spring by Harper & Brothers. It has the formidable title, "The Behavioral Sciences and Organization."

Professor Argyris' ideas give one of the newest twists to human relations theories since Harvard sociologist Elton Mayo initiated the practice of increasing production by humanizing it.

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In our culture, as humans mature, they normally develop from being passive, subordinate and dependent, with few interests and abilities and short-range perspectives, to being active, relatively independent people, with more abilities, deeper interests and long-term plans for their futures.

The logical organization of today's company or business, on the other hand, normally requires a chain of command, unity of direction, specialized jobs and close control over workers.

These demands of the organization clash with the needs and goals of a healthy, adult personality. Employees must work in an environment where they are subordinate to and dependent on their supervisor for instructions, pay, discipline and future advancement. With specialized jobs, they use few abilities and have few interests.

They have little independence or control over their work, particularly when staff experts tell them how much should be turned out and the methods they should use.

So, how do the workers react? A few try to scale the organizational ladder to higher positions with more independence and interests. Others may quit, but then find the same dissatisfactions elsewhere. Some may set goldbrick work standards, or, in their apathy, make mistakes and waste materials. Some may alleviate the feeling of dependence on the company by snatching some power of their own in the form of labor unions; or they may shift their expectations for nonmaterial incentives

"Tell him his
job's important"



"Productive workers
are happy workers"



to a yearning for money and material rewards.

"I've concluded," says Professor Argyris, "that we are entering an era when a worker feels satisfied when he is paid more money for his dissatisfaction. . . . The workers themselves de-emphasize the human aspects and overemphasize the material ones. . . . Management has responded by providing more material benefits such as playgrounds, baseball teams, cafeterias, bonuses. . . ."

The Yale scientist warns against company dependence on human relations programs to change the employee and fire him with enthusiasm. These can sometimes backfire.

He also warns that autocratic leadership often compounds the conflict between worker and company.

His study of 50 human relations programs showed how even these widely accepted theories can bring unexpected reactions. Here are some of these theories and their limitations:

1. Managers should always treat their workers as individuals.

According to Professor Argyris, this sometimes creates problems. Workers get together, discuss how they are treated and often get the impression that the boss is playing favorites.

2. Management should get to know the workers.

Professor Argyris says that when the boss tries to be one of the boys he may increase the distance between himself and his employees. "It's nice of him to come down to see us, but who does he think he's kidding," one worker told the professor. Another said, "I don't feel comfortable when the boss gets too buddy-buddy." In one big utility concern, women employees refer to

regular visits by management to mix with workers as "Love your company week," reports Professor Argyris. The male employees have another name for it which is even less flattering.

3. The worker should be shown that his job is important.

"No scientific study I know of has proven that workers necessarily feel more pride when they are shown a finished product they have contributed to," says the professor. He tells of a remark he once made to an assembly line man in an auto plant to the effect that the man's job was important. He got the reply: "Look, doc, don't rub it in. How would you like to be reminded that the most important thing you do is put four bolts in the rear of a car."

4. Employees need to have the feeling of belonging to a group.

Separate studies made in a bank, a plant and a hospital, showed about 95 per cent of the employees said they liked their work. About 92 per cent of this 95 per cent said they liked it because people left them alone.

"I've found cohesive groups," says Professor Argyris, "but most of them are against management. In companies where there is good morale, they want to be left alone."

5. Workers naturally resist change.

"Not so," says Professor Argyris. In an unhappy plant, workers welcome change if it will get management in trouble.

6. Productive workers are happy and loyal.

This is true in some cases. But there are also happy workers who are unproductive, and productive workers who are unhappy and disloyal. One research worker found



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EMPLOYEES

continued

that in a big New England plant employing more than 10,000 employees, more than 51 per cent of the employees would have left the plant if it hadn't meant losing their union seniority. In a large bank, more than 68 per cent of the employees were found to be loyal but not as productive as they themselves said they could be. Young, low-paid engineers and nurses are two other occupation groups often found to be productive but unhappy.

7. Management controls motivate a worker to do a better job.

Controls often create tension and hostility, says Professor Argyris after a study of four firms with between 600 and 12,000 employees. Budget controls, for example, made one loyal supervisor tense and discouraged and didn't make any impression on another supervisor who was less efficient, he reports.

"I'm not saying all these human relations assumptions are wrong," the Yale professor declares, "but there are limitations to the best of them."

The iron-fisted, directive-leadership approach creates problems too. Employees under such a leader tend to feel inferior and dependent; they apple-polish, backbite, feel pressured and sometimes decrease production, research finds.

Employee-centered leadership helps make workers feel less inferior and dependent. But it won't work if employees are so dependent already that they would be confused by being made self-reliant, Professor Argyris says.

As the most effective approach, Professor Argyris believes that an executive should be realistic. He should be an expert diagnostician and have a range of leadership styles to meet the particular situation.

To start with, the executive must be self-aware, as the professor puts it. Also, according to the professor, he should know his own personality and how the personality traits are interrelated. He shouldn't be dominated by his defenses. In other words, he should be aware of his prejudices and be sure he can control them if he wants to. He should also be aware of his values and abilities and feel a sense of self-esteem and self-confidence. He should be conscious of his behavior toward others.

"There's too much emphasis on trying to change executives, and not enough on helping them become aware and tolerant of themselves," the professor asserts.

He says that executives sometimes develop blind spots because their own attitudes about loyalty and work may differ from those of their employees. But if the executive tries to understand himself better, it will help him to understand others, and vice versa. Knowing human behavior can aid him in helping others grow and become more productive.

In addition to these qualities, Professor Argyris has found in past research that effective executives usually have some of these traits:

- ▶ They can work efficiently under frustrating circumstances, such as grinding away on a project that might easily blow up in the end.
- ▶ In stimulating participation from others, both above and below them, they allow their decisions to be pulled apart without feeling their stature is diminished.
- ▶ They examine themselves to try to understand their errors without becoming upset over them.
- ▶ They accept competition without feeling threatened. They don't feel hostile toward a competitor or fear that someone is out to get them.
- ▶ They can let others know their annoyance without running wild.
- ▶ They can take victory or defeat with controlled emotions.

Together with the "realistic-leadership" approach, Professor Argyris believes an alteration in the organization setup can help ease the conflict between the company and employee goals. This change takes the form of job enlargement—giving the worker more to do and more responsibility so he has more independence, more interest, can use more abilities and increase his productivity.

In effective human relations, the practice of trying to understand others can be most successfully applied in small groups, according to Professor Argyris. Fact-finding by top executives with small groups of employees, can often turn up employer-employee difficulties.

Social science research today is more accurate on why problems exist than on how to remedy them. Important problem areas are still unfathomed. Management controls, for instance, might be changed to reduce conflict, Professor Argyris believes. Researchers say investigation is urgently needed here. More study also is required in problems of job enlargement and job rotation, and relationships among executives. **END**

REPRINTS of "New Approach To Employee Relations" may be obtained for 10 cents a copy or \$7.50 per 100 postpaid from *Nation's Business*, Washington 6, D. C. Please enclose remittance with order.

ENGINEERING

continued from page 15

A shift of a few key personnel might dissolve the bottleneck overnight.

► Can music help in pacing production at a desired rate? It may depend on what kind of effort is required to produce the product—whether it is purely mechanical, whether it requires conversation, whether it demands mental problem-solving, imagination, etc. Even if feasible, the kind of music which will work must be determined.

► What control-panel arrangement can most safely be entrusted to operators of the electronic equipment used in the modern oil refinery or power plant? The psychologist now leans toward the graphic panel, with flow charts, which suggests to the operator a picture of what he is controlling.

► Which of several proposed new clothing materials have the greatest touch appeal and why? To get an answer it may be necessary to blind-fold a representative cross-segment of consumers and chart their reactions.

Some of these problems may seem simple, the kind of thing that can be solved with ordinary common sense. But experience is proving that, although common sense is certainly part of the answer, it is only a fragment. The specialized know-how of the trained engineering psychologist is, more often than not, necessary to produce a total solution for the problem.

Perhaps the greatest immediate problem is one which challenges the ingenuity of personnel management: The competent engineering psychologist is not produced overnight.

Some businesses are beginning to send their own people to school to get the necessary training. Some are hiring psychologists from the government, when they can find them. Most are depending upon the colleges and the universities to produce them. Schools in increasing numbers are delving into engineering and industrial psychology in efforts to satisfy business needs.

Among the leaders who are, in most cases, themselves doing experimental industrial work as well as training psychologists are:

Columbia, Harvard, Massachusetts Institute of Technology, Johns Hopkins, Tufts, New York University, UCLA, Ohio State, and the Universities of Illinois, Rochester, Washington, Pennsylvania, Southern California and California.

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School kids are the raw material for tomorrow's leaders. Quite soon they'll be the ones deciding how the money will be spent, whether the town can tolerate that slum section, what should be done about traffic congestion in the shopping district. It's to the benefit of us all to get them started right.

But in the meantime, those problems have to be decided by citizens like you. And a good starting point for your operations is your local Chamber of Commerce. There you'll meet a lot of other men with the same willingness to serve. So join your C. of C. Support it. In the long run you're the one who benefits.

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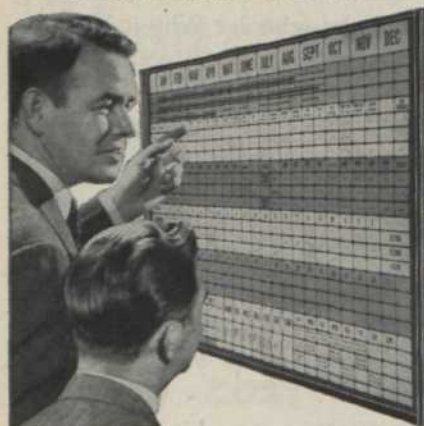
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YOUR NEW BUSINESS: POLITICS

BUSINESSMEN have become the custodians of the country's future.

Forecasts for the coming 12 months show how well they are meeting the economic requirements of this stewardship. This year, in the view of all observers, will bring more products, more jobs, more money to spend.

The number of businessmen who are taking economic courses themselves or helping others to take them shows further that they are not satisfied with today's accomplishments and are eager to do even better.

Clearly, if economic activity alone determined our national progress, the future would appear to be secure.

This is not the case.

Many forces besides economics will shape the future.

One of these is politics. Beyond all things—including economics—political action will determine the course of national history.

Like economics, politics has become the businessman's responsibility.

He did not seek this responsibility. It sought him.

The reason was natural enough. Today the businessman knows more about politics than anybody else.

Those who doubt that statement have only to observe that the production line of politics is government and the raw material for that line is ideas. The ideas that will have top priority in the coming Congress and were expressed in the party platforms in the recent

election are familiar subjects to businessmen. They concern foreign trade, labor relations, wages, credit policies, a half dozen areas of transportation, building of schools and homes, plans for meeting our power needs, economic security, government purchases of goods and services, insurance or pseudo-insurance of assorted kinds, banking methods, business financing and the fixing of prices for food, money, transportation and other things.

Legislation on any of these subjects will be an attempt to manipulate economic forces.

When politics undertakes to do this it is, quite literally, prescribing the menu for every dinner table in the country. What it puts on one it must necessarily take from another. In theory such a re-allotment may be desirable. But economic forces do not respond to theory. They insist on obeying their own laws.

Such laws can be amended only by people who understand perfectly how the forces operate. Even then the amendment is more likely to come through the marketplace or the laboratory than through legislation.

Thus, if politics is to turn an idea for economic change into a beneficial law, it needs to know, not only how economic forces operate, but how new developments in the marketplace and laboratory are affecting that operation.

It must turn, therefore, to businessmen. These people have a practical knowledge of economic truth.

Politics has been showing an increasing willingness to do this. Businessmen have shown a somewhat lesser willingness to cooperate. This has not been due to stubbornness or lack of sense of duty. Partially it has been due to lack of time; partially to uncertainty of welcome—businessmen with ideas for legislation have been abused as being selfish as often as they have been thanked for help.

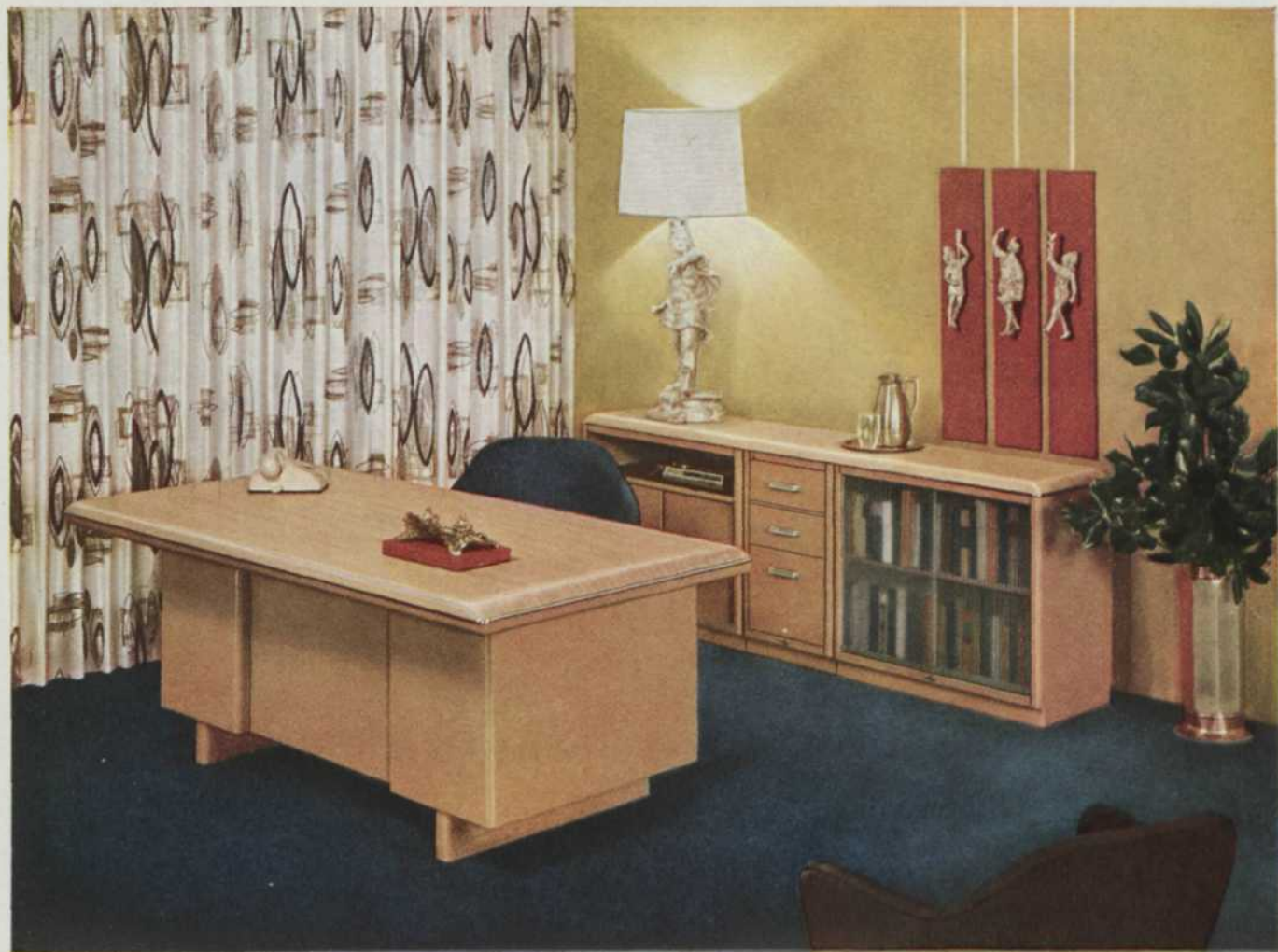
But largely it is due to uncertainty of method. A businessman who wants to brush up on accounting, human relations, or management practices finds dozens of short, refresher courses available. There are no short courses in politics.

The Chamber of Commerce of the United States is preparing to remedy this. In February a National Chamber team headed by President John S. Coleman will tour the country by air for a series of all-day meetings with businessmen in major cities.

These meetings will be concentrated short courses in political action. Businessmen will be shown how to organize and present their views in the most helpful fashion.

The enthusiasm which has welcomed this proposal shows that businessmen are eager for this kind of instruction.

If they become as adept in politics as they have become in economics, the future will really be secure.



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
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